



# **eCMO:**

## Case Management Analysis

### **Version 1.0**

July 2, 2003

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## 1. Introduction

The Case Management and Oversight (CMO) organization is responsible for the oversight of Title IV funds delivered to more than 6000 institutions for post-secondary education, both in the United States and abroad. CMO determines whether schools are eligible for funding, oversees school compliance with Title IV regulations associated with that funding, and determines the appropriate course of action when schools are not in compliance.

CMO headquarters are located in Washington, DC. In addition, there are ten regional offices located throughout the country. Each regional office oversees schools in several states, with the number of schools assigned to a given team ranging from two hundred to over seven hundred.

In 1997, CMO undertook a major restructuring called the Institutional Participation and Oversight Service (IPOS) Challenge. This project helped streamline the business processes of CMO and move the organization away from functional “stovepipe” decision-making. One major outcome of the IPOS Challenge was a Case Management process model that promoted multi-function team decision-making, which resulted in a more holistic review of FSA institutions.

However, many challenges still face the CMO organization. Currently, CMO staff must access over half a dozen discrete systems both within and outside of CMO (including PEPS, eZ-Audit, CMIS, COD, GAPS, IAM, Acorde, and NSLDS) in the execution of their responsibilities. Often times data is poorly organized, not available, or exhaustively time consuming and inefficient to analyze. Limited access to many of these systems further impedes workflow. In many cases, information necessary for tracking and monitoring is not contained in a system at all, and must be managed manually. In addition, there are concerns about lack of system support for promotion of consistency in case processing across the teams for case research, decision-making and follow-through.

Therefore, in 2003 the organization decided to undertake another major initiative called eCMO (electronic CMO). eCMO will be grounded in the IPOS case management process model, and will focus primarily on updating tools and systems to help support decision-making that is informed, effective, efficient, consistent, documented, standardized and distributed. eCMO will also focus on integrating data and improving communications with both internal and external partners. This project is expected to last for approximately two years. Currently, the project is in the planning phase, which is will deliver a conceptual design on August 29, 2003.

The purpose of the planning phase is to develop a high-level design and cost benefit for recommended system and process improvements that are feasible and cost-justified, and to develop a high-level sequencing plan for implementation of those recommendations. There are three main components to the planning phase (each with an associated deliverable), as follows:

1. The first component involved both a review of the current CMO environment and the creation of a conceptual design for the target state CMO environment. During the month of May, FSA convened a core team to help document CMO's As-Is business processes, and identify issues and concerns with those processes. The group met nine times over a three-week period. Subject Matter Experts (SMEs) were invited to the meetings where appropriate to provide additional detail on specific processes. The core team also made site visits to the San



Francisco, Atlanta and Boston regional offices to confirm their understanding of the current processes and issues. In addition, the Core Team met three times to create and validate the eCMO conceptual design model and identify high-level conceptual design requirements.

2. The second component, Target State, will consist of a redesign of the business processes to eliminate as many of the problems identified in Component 1 as possible. The Core Team will meet many times throughout June and July to construct various components of the target state environment.
3. The third component will include a cost / benefit analysis, identification of potential gaps and barriers, and a sequencing plan.

This document is the first deliverable and contains information pertaining to Component 1 - the As-Is CMO environment and the eCMO Conceptual Design. Two disclaimers must be noted. First, the information contained within this document was derived from the As-Is process meetings with the Core Team and SMEs. In addition, this document lists feedback supplied during these meetings in an appendix (see Appendix A). All suggestions will be considered for the target state, but should not be deemed official system requirements. Only after a detailed cost/benefit analysis, and an in-depth examination of potential gaps and barriers, will the requirements list become finalized.



## 2. Core Processes

### 2.1. Compliance Audit

In April 2003, FSA implemented a new on-line application called eZ-Audit. This application enables the institutions to submit their financial statements and compliance audits electronically. It also provides Case Management and Oversight (CMO) staff with tools to track their work and perform analysis related to financial statements and compliance audits.

The institution submits its compliance audit on-line via eZ-Audit and is required to enter some compliance audit data on-line. The table below shows what types of institutions need to submit a compliance audit with different types of submissions:

|                            | Institution Type                        |   |   |
|----------------------------|---|---|---|
|                            | Public                                  | Non-profit                              | Proprietary                             |
| Type of submission         |   |   |   |
| Annual submission          | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit |
| Initial application        | Financial Statements                    | Financial Statements                    | Financial Statements                    |
| Reinstatement              | Financial Statements                    | Financial Statements                    | Financial Statements                    |
| Closeout Audit             | -                                       | -                                       | Compliance Audit                        |
| Change in Ownership/Merger | -                                       | Financial Statements                    | Financial Statements                    |
| Change in FY end date      | Change is FY end date info              | Change is FY end date info              | Change is FY end date info              |
| Exemption/Waiver request   | Exemption request                       | Exemption request                       | Waiver request                          |
| Stub Audit                 | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit |

Once the institution submits its compliance audit, the system performs an acceptability check and assigns audit findings. Audits without findings are routed to the Archive. There is a report that lists the audits without findings. These audits are assigned to coders for quality control review as time permits. Audits with findings are routed to the coders queue.



At this time, users with coder rights share one queue. From that queue they select the audit for which they are going to code findings. It is envisioned that in the future audits will be assigned to individual coders.

In addition to the audits that arrive to the coder via eZ-Audit, audits may be submitted manually from the Office of the Inspector General (OIG) or Third Party Servicers. OIG audits are reviewed in a similar fashion to ones received in eZ-Audit. Currently, a pilot program is underway to improve the review process for Third Party Audits. There is no mechanism in place to track the audits received from these separate channels.

The coder screens the audit for data and performs a completeness check. If the audit is not complete, the coder contacts the institution and requests resubmission. If the audit is complete, the coder codes the audit findings. For each finding, the coder selects a deficiency code from the drop-down menu (there are approximately 200 codes in this list), and enters the number of errors, sample size and original questioned cost. The system then calculates a deficiency score for the audit. If the audit is non-deficient it is routed to the Archive. Deficient audits are routed to the Co-Team Leaders (CTL) queue.

The Co-Team Leader assigns each compliance audit to an Audit Resolution Specialist (ARS) for analysis and review. The ARS reviews the audit and findings and conducts Level One Research. In most teams, multiple people do the research and there is no requirement for closing Level One Research before issuing a Final Audit Determination letter (FAD).

Level One Research is performed to elaborate on potential problems areas. Specifically, Level One Research requires a review of the primary documentation received (i.e. student transcripts, institutions financials, etc). This is research that has not been modified, aggregated or truncated in an FSA system. Some regional locations may interpret Level One research differently.

Research consists of investigating:

- Eligibility status (PEPS)
- Financial Statement analysis status (PEPS)
- Program Review status (PEPS/manual check of the Institution File/ACORDE)
- AAA status (PEPS/Check with AAA Liaison)
- Reimbursement status (Check with Reimbursement Analyst)
- Program funding status (GAPS/NSLDS/IAM)
- Prior audit resolutions (prior FADs can be viewed in ACORDE)
- Timeliness of prior audits (PEPS)
- Prior audit findings and liabilities (PEPS)
- Program Review information and all CMO actions against institution in CMIS.

After sufficient research is done, the findings are analyzed.



The ARS reviews the first finding in the audit, verifies that it has been assigned the correct Deficiency Code by the eZ-Audit staff, and determines whether or not it is a Title IV violation. If it is a Title IV violation, the ARS identifies the regulation associated with that violation, so that it can be cited in the FAD. If the regulation is not readily apparent, the ARS will gather additional information from sources such as PIP memos, Policy, Program Offices, Title IV updates, the Office of Hearings and Appeals (OHA) website, Generic Paragraphs, IFAP, or previously issued FADs to assist in identifying and resolving the audit finding. Guidance and clarification will also be sought from OGC, IG, and Policy Office.

The ARS then reviews the corrective action plan outlined by the institution and determines whether or not it is sufficient for the violation. This decision is typically the result of professional judgment; however, it is influenced by case law and precedence. Corrective actions may involve both a liability and the establishment of controls to prevent further violations. In cases where the corrective action is insufficient, the ARS identifies a suggested action more suitable for the violation, which will be included in the FAD. Suggested actions are typically derived from the ARS's familiarity with the violation and prior cases involving similar circumstances.

The ARS repeats this process for each finding identified in the audit. Once each finding has been analyzed, the ARS looks at the cumulative cost of all monetary liabilities from the findings to ascertain whether or not the institution owes more than \$1000. The liabilities are due within 45 days of receipt of FAD unless the institution appeals or sets up a repayment plan with Ed Finance.

*(Note: Total audit liabilities of less than \$1,000 are simply noted in the FAD. Some teams require institutions to repay their Federal cash account and then offset the next draw for any liabilities under \$1,000. )*

If the ARS needs any additional information during this process, the ARS may request that information from the institution, auditor or other external or internal parties.

*(Note: Information is usually requested from the institution via a Preliminary Determination Letter.)*

The ARS drafts the FAD, completes the Audit Clearance Document (ACD) that outlines liabilities and Deficiency Data Input Form (DDIF) that outlines deficiency codes and sends his/her work to the Co-Team Leader for approval. The Co-Team Leader reviews the work and determination. If the Co-Team Leader determines that changes need to be made, he/she returns the work to the ARS. The Co-Team Leader is required to enter an explanation on why the work is not accepted. If the Co-Team Leader approves the determination, a record is re-routed to the ARS. If liabilities are equal to or greater than \$100,000, the audit and the proposed resolution are forwarded to OGC for concurrence. If liabilities are equal to or greater than \$500,000, the FAD is forwarded to OGC and OIG for concurrence. Any findings that are escalated are forwarded to OGC, OIG, and/or OPE for concurrence.

The ARS prints out the FAD, ACD and DDIF. The FAD and ACD are signed by the Co-Team Leader, an Area Case Director or a Division Director. The DDIF does not require a signature. The ARS sends the FAD to the institution, and a record is routed to Archive.



Actions that may be outcomes from the Compliance Audit Review process are:

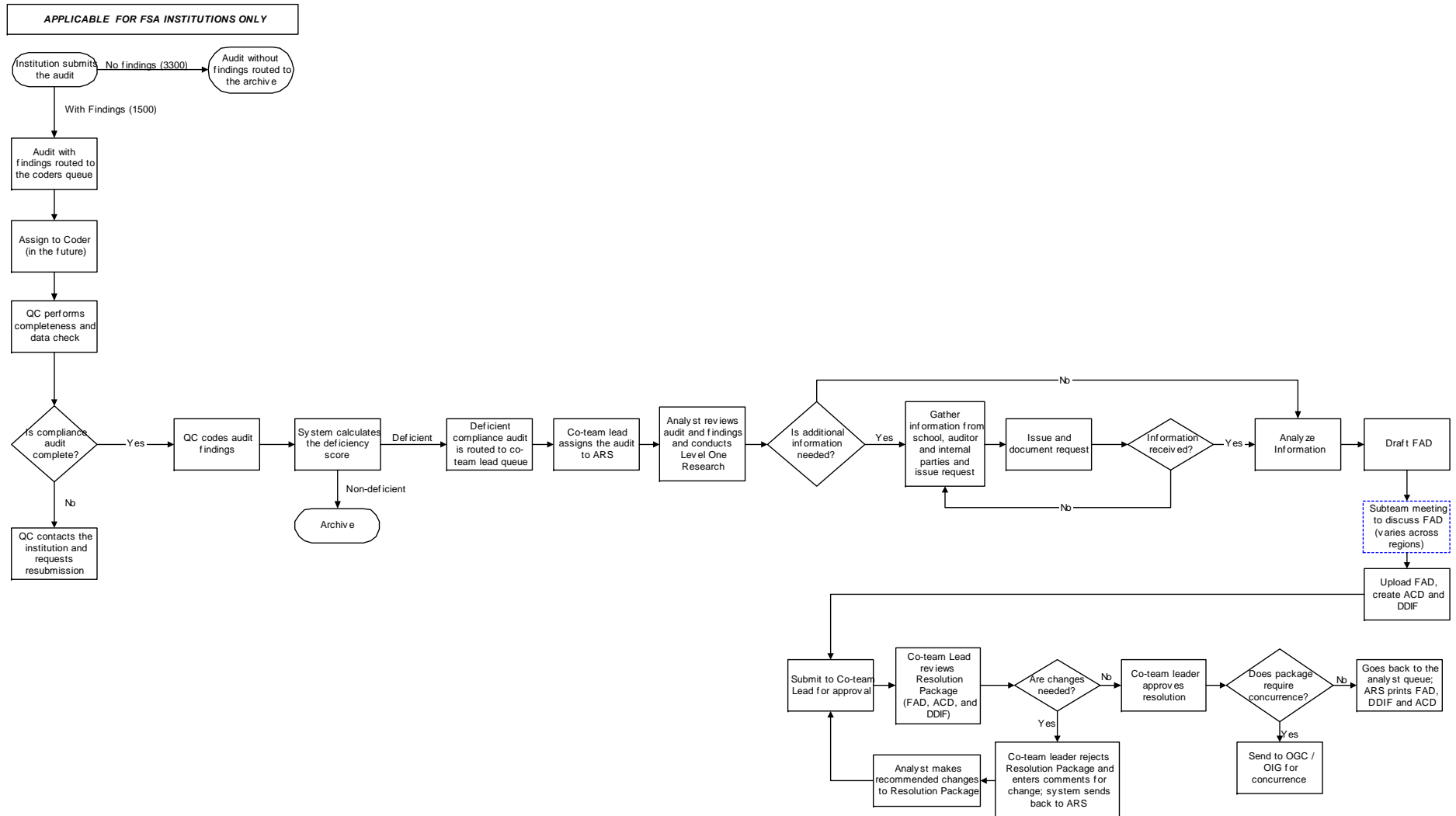
- LOC (if there is a refund finding)
- Referral to AAA (for Administrative Action)
- Program Review
- Technical Assistance
- Stop Payment/ Reimbursement/ HCM1 or 2
- Referral to IG Investigations (if potential fraud or abuse is suspected)
- Referral of CPA to IG for QCR

These actions are described in appropriate sections of this deliverable.





## Process Map for - Compliance Audit





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples.

- Final Audit Determination (FAD) letter
- Rejection Letter
- Audit Issuance Letter
- Delinquency Letter
- Reminder Letter (related to Close-out reporting)
- Letter sent to institution if the Close-out Audit is not submitted by the due date
- Preliminary Audit Determination Letter (PADL)
- Close-out Audit Requirements Letter

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- PIP Procedures Memorandum 97-20, November 21, 1997  
Subject: Procedures for Resolving a Deficient Audit
- PIP Procedures Memorandum 00-02 (R-2), June 15, 2001  
Subject: Waiver Under 34 CFR 668.27 of Annual Audit Submission Requirements
- PIP Procedures Memorandum 01-02, September 28, 2001  
Subject: Quality Control Reviews – Case Management and Oversight – Referral Process and Office of Inspector General Process
- PIP Procedures Memorandum 97-19 (R2), November 16, 2001  
Subject: Procedures for Classifying and Issuing “Deficient” and “Non-deficient” Audit Reports
- PIP Procedures Memorandum 01-04 (R-1), March 27, 2002  
Subject: Close-out Audit Procedures for Proprietary Institutions
- PIP Procedures Memorandum 97-15 (R-2), June 15, 2001  
Subject: Instructions for completing the Deficiency Data Input Form (DDIF) for the Audit Resolution Specialist (ARS)
- Criteria for Audit Levels (In 97-19 (R-2))
- PIP Procedures Memorandum 97-18 (R-2), June 15, 2001  
Subject: Procedures for Receiving and Determining the Acceptability of a Student Financial Assistance (SFA) Audit Report
- PIP Procedures Memorandum 97-16 (R-2), June 15, 2001  
Subject: Instructions for completing the Audit Clearance Document (ACD) for the Audit Resolution Specialist (ARS)
- PIP Procedures Memorandum 03-04, April 9, 2003



Subject: Processing and Resolving Audits Conducted by the Office of Inspector General (OIG)

Listed below are key regional differences associated with this Case function.

- Sub-team meetings - Some teams, but not all, have sub-team meeting in order to approve FAD.
- Signing of the documents such as FAD and ACD. Some are signed by Co-Team Leaders, Area Case Directors or Division Directors (ARS does not have OGC clearance / approval to sign)
- Preliminary Audit Determination Letter (PADL)

Listed below are the key deliverables of this Case function.

- Final Audit Determination (FAD) Letter
- Audit Clearance Document (ACD)
- Deficiency Data Input Form (DDIF)



## 2.2. Risk Assessment

Predicting the level of risk that an institution poses as a Title IV program participant is vital to maintaining the integrity of FSA's programs. Risk Assessment allows the Case Management Oversight (CMO) to provide institutions with assistance before serious problems arise. The Institutional Assessment Model (IAM) is a tool that was developed to identify institutions that may be in need of intervention or assistance by CMO. The tool calculates the probability that a school will have an issue that will result in one of four adverse actions (fine  $\geq$  \$10,000, liability  $\geq$  \$10,000, surety, or reimbursement) unless intervention takes place. The calculation is based on a set of pre-defined factors, which include:

- Small Institution Size based on the Sum of All Funding (DL, FFEL, Pell, and Perkins)
- Pell Stopped Payments
- Pell Expenditures v. Authorizations
- Financial Audit Results
- FFEL/Direct Loan Default Rates/ Perkins
- Funding Changes
- Percentage of Students with Adjusted Gross Income of \$0
- Percentage of Students in the Riskiest Demographic Categories
- Percentage of Students with Independent Status

Each year, the Data Management and Analysis Division (DMAD) manually collects data from various systems and updates the information contained in the IAM database. A request for specific data from PEPS is submitted to a contractor, who runs the queries, reviews the quality of the data, and then dumps it into the IAM database. DMAD also runs queries in NSLDS to gather necessary data for inclusion in IAM. Once all data has been accumulated, the DMAD runs the Risk Probability Model and produces an Institutional Risk List. The DMAD then sends an email to the Risk Liaison from each region, and copies all of CMO, notifying them that the list is available for viewing. The teams can then access IAM and examine the data on the institutions within their region, as well as that of any eligible institution for comparative purposes.

This year management determined that the top 600 institutions on the list would require analysis, since this would capture all institutions with the highest risk probability figures (those in the 80<sup>th</sup> percentile and higher). The top 600 were identified on a national level, and therefore, the workload was not distributed evenly across Case Teams. In the past, each region analyzed its top 60 schools, resulting in a balanced workload, but not necessarily capturing the riskiest schools nationwide.

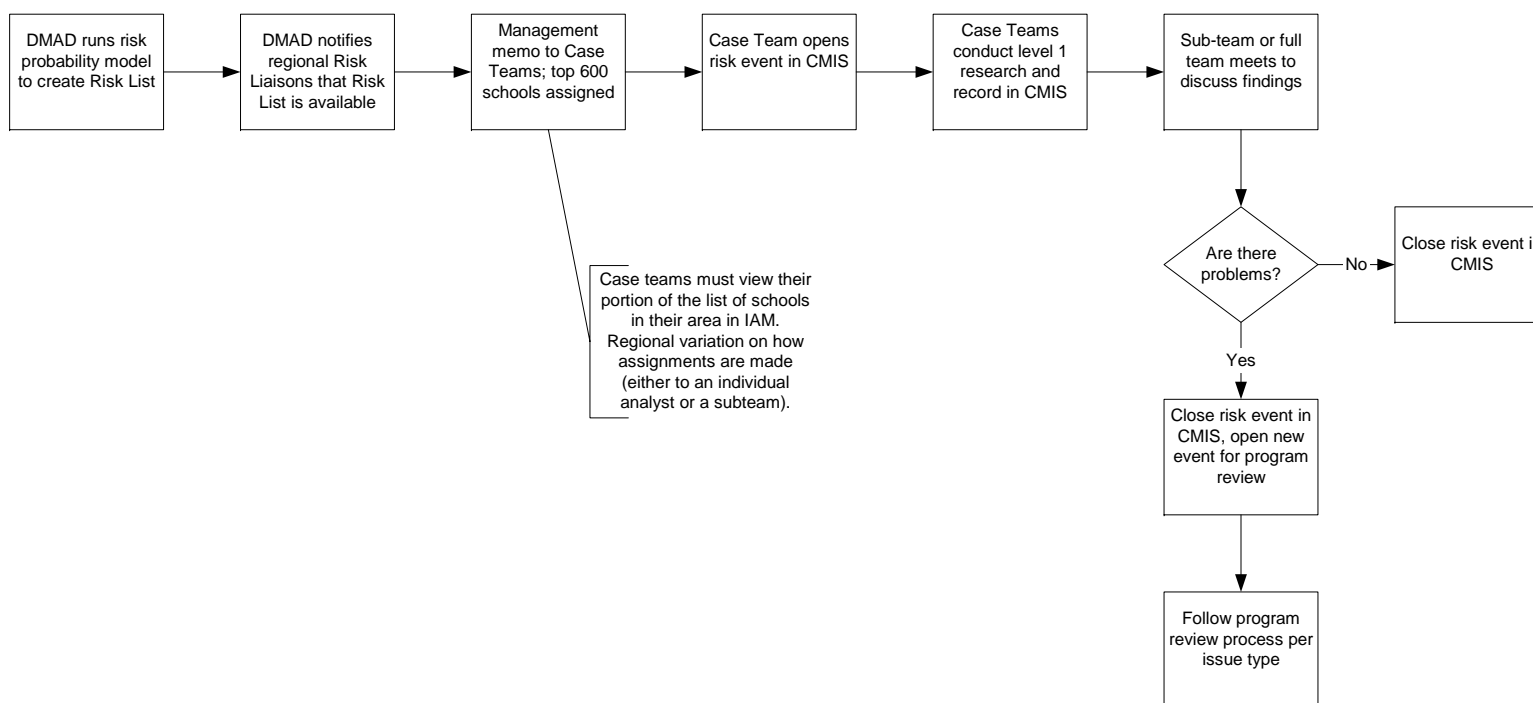
The assignment of an institution from the Risk List varies within Case Teams. Some teams have the Co-Team Leader make the assignments, while other teams let analysts self-assign their cases. Additionally, some teams assign risk cases to analysts, and others assign them to sub-teams. Once an assignment is made, a risk event is opened in CMIS. Level One Research is performed to elaborate on potential problems areas. The findings are recorded in CMIS and presented to the sub-



team or full team for discussion. If the team determines that the institution has a problem that requires further review, the risk event in CMIS is closed with notes indicating that an event for a Program Review or other action is being opened. If the team determines that no action is required, the risk event is closed in CMIS with notes explaining the team's decision. Documentation of the rationale behind the decision varies by region. Team members are encouraged to provide feedback on their view of the IAM report for a school's characterization. Their input helps improve the targeting of the system to CMO needs.



## Process Map for Risk Assessment





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Email sent to Risk Liaisons that new Risk List is available
- Emails from Case Teams sent to Division Directors on IAM findings and feedback

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- PIP Procedure Memo 03-01  
Subject: Use of Institutional Assessment Model (IAM)

Listed below are key regional differences associated with this Case function.

- Assignment of cases
- Decision making participants
- Documentation of decisions

Listed below are the key deliverables of this Case function.

- Risk List



### 2.3. Technical Assistance

Case Management provides technical assistance in response to either a request from an institution or a referral from the Case Team. Technical assistance is also routine for first time participants in Title IV programs, and for institutions that have been placed on reimbursement. Except in the latter two cases, technical assistance is not viewed as mandatory, but rather as a discretionary support tool. Consequently, institutions have been known to decline offers of technical assistance.

#### *Execution*

Technical assistance can be provided by any Case Team member within each team, and is typically assigned to staff based on subject matter. Each team has an Institutional Improvement Specialist (IIS) knowledgeable in matters specific to CMO, and every region has fulltime training officers to cover broader FSA subjects. Depending on the issue, assistance may come from a variety of sources such as Quality Assurance, Account Managers, Experimental Site staff, Default Management, Direct Loans, AAA, and the Closed School Unit. Technical Assistance can take many forms, including: phone calls, letters, on-site visits, off-site visits, management assistance and training. The only forms of technical assistance that can be tracked in the PEPS Technical Assistance Module are:

- Technical assistance On-Site
- Technical Assistance Off-site
- Management Assessment
- TA Training On-Site
- TA Training Off-site
- Closed School Assistance

When a referral for technical assistance is received, the IIS opens a case in PEPS. On some teams, the IIS also looks for an open referral for Technical Assistance in CMIS, and closes that event with notes indicating that a new event for technical assistance is open in CMIS. After determining whether or not the issue was thoroughly documented or requires more information, the IIS begins recording a strategy in PEPS. Strategies for Technical Assistance can include referrals to other organizations regarding policy, referrals for FSA training, specialized presentations for targeted groups, a meeting at the regional office, or on-site technical assistance. For high profile or complex cases, the IIS consults with the Case Team, Co-Team Leader, ACD, or DD to help formalize the strategy. Consultation with management is made for budgetary considerations as well. Once the strategy is finalized, it is documented in CMIS and/or PEPS, and any hard-copy documents are placed in the institution file. A formal letter may also be sent to the institution, outlining the strategy. The point at which the strategy is executed versus documented varies by team.

*(Note: See section 2.10.7 for a discussion of the Distance Education Pilot Program)*

#### *Issues*



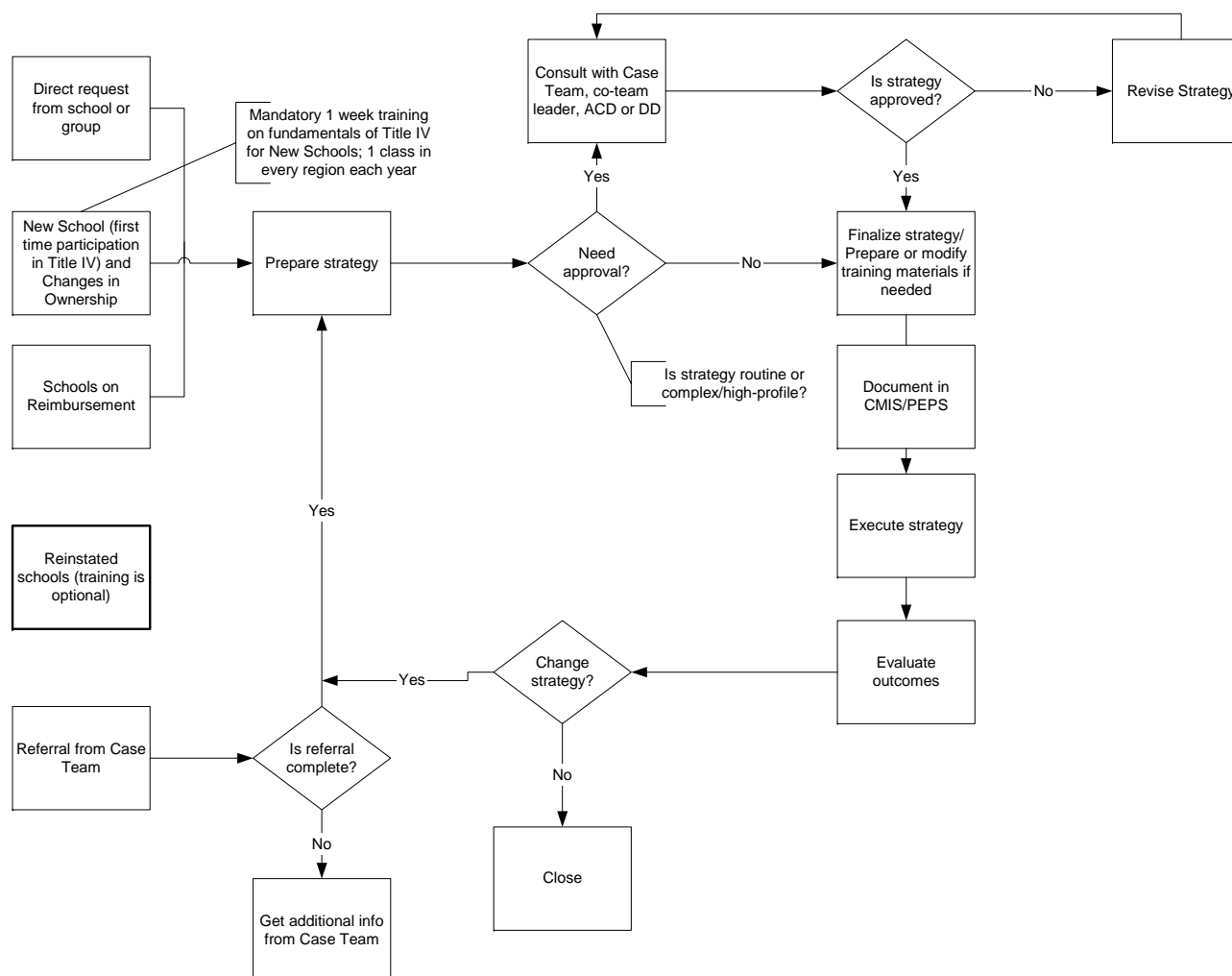


It may be months or years before the outcomes of technical assistance can be evaluated. However, the IIS continues to monitor the situation, looking for signs of progress to determine whether or not the strategy needs to be revised. Routine transactions such as Program Reviews, compliance audit findings, and recertifications are all methods by which the IIS can evaluate an institution's progress. There is no formal mechanism for institutions to provide feedback from their experience with technical assistance, and therefore, the IIS must rely on other sources to base an evaluation. When the success of a technical assistance strategy becomes questionable, the IIS may have a discussion with the Case Team to devise a new strategy.

Technical assistance requests from institutions are usually not tracked. This may be due to the fact that any case member can perform technical assistance activities, and requests may not always go through an IIS. For example, technical assistance requests from institutions commonly involve some level of training. Institutions may request a presentation on a particular subject to be addressed to their entire region, since institutions within the same region tend to experience the same issues. But training officers do not enter information in PEPS, nor is it possible to capture the attendance of institutions in large-scale training events without making separate entries under every OPE ID. Thus, this type of assistance is not tracked and there are no statistics available on the outcomes. As a further example, a pre-certification requirement for all new institutions is to attend a weeklong session on the fundamentals of Title IV funding, offered at regular intervals throughout the year. Although required, attendance is not captured in PEPS. Instead, the IIS verifies that the institution's representatives have attended and that all appropriate systems for program participation are in place.

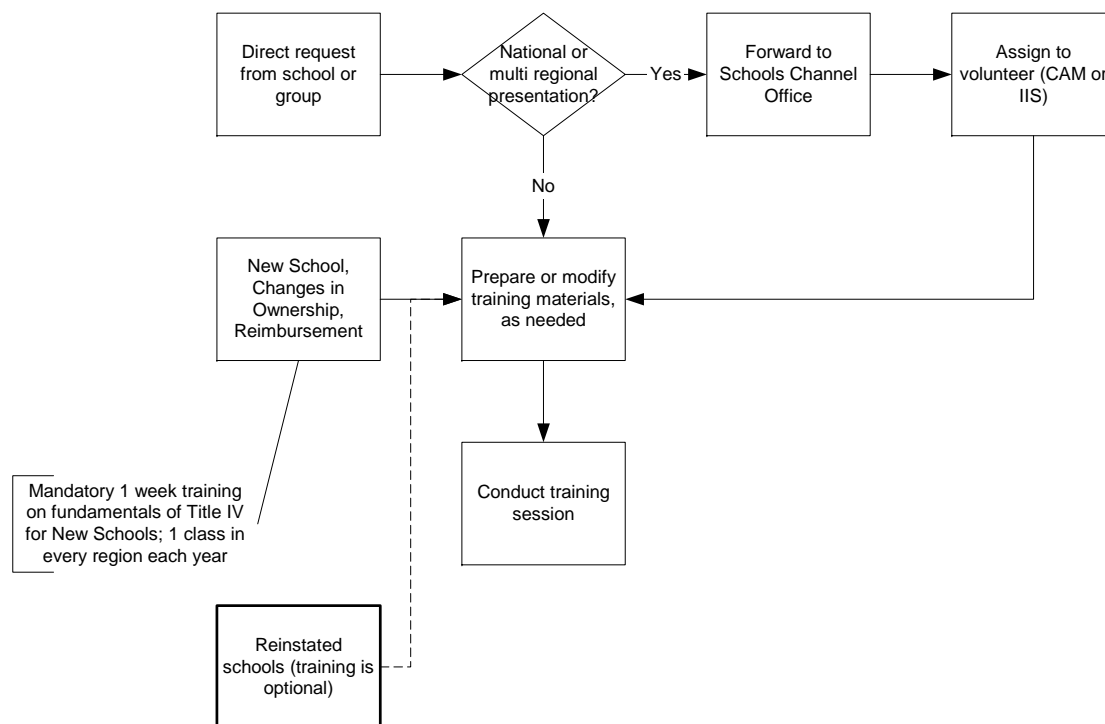


## Process Map for Technical Assistance





## Process Map for Technical Assistance Training





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Letter to institution formalizing technical assistance strategy

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- None Mentioned

Listed below are key regional differences associated with this Case function.

- Stage at which technical assistance strategies are documented and executed

Listed below are the key deliverables of this Case function.

- Technical Assistance Strategy



## 2.4. Closed Schools

The primary function of the Closed School Unit (CSU) is to establish the official, effective closure date for an institution and facilitate the activities associated with that action. They also have responsibility for entering the closure information into PEPS and notifying all appropriate parties. An institution is considered “closed” when it ceases to offer educational programs or loses Title IV eligibility. Institution closures have an immediate impact on Title IV program participation eligibility, and therefore, need to be investigated as soon as they are reported. Whether the closure occurs at a satellite location or main campus of an institution, verification of the closure and confirmation of the close date must be made. Approximately 100 institutions close per year, many with multiple locations, each of which must be analyzed individually. The Closed School Unit office is responsible for the majority of this analysis.

The process begins when the Closed School Unit receives notification that an institution's main campus or satellite location has closed. It is common for this information to come in through the eApp recertification form, but it may also come from other sources. There are currently five staff members in the CSU office, each responsible for 2 regions. When notification is received, the appropriate staff member is assigned the task of verifying that the institution has closed. All partners are notified by email of the closing and are requested to supply information to help determine the effective close date. These parties include:

- Direct loan operations
- Direct loan servicers
- CAM
- State agencies
- Guarantee agencies
- Accrediting agencies
- Case Teams
- Perkins loan office
- Institutions

The staff member records the information gathered from these sources on two paper forms. The School Closure Verification Form is used to document all information gathered from the parties contacted. The Closed School Module (CSM) Data/Research Entry Form is used to record the effective close date, and information about how institution records are being stored, what continuing education opportunities exist for students, and actions toward tuition recovery. Once these forms have been completed, they are forwarded to the CSU supervisor for review. If approved, the data from the Data/Research Entry Form is entered into the PEPS Closed School Module and the Verification Form is filed. The supervisor will not approve anything unless the documentation shows that all partners were contacted.

Once data entry in PEPS is complete, a Closed School Notification memo is prepared and generated in PEPS. The Notification is sent as an email attachment to all partners and interested parties.



Although the internal standard for this entire process is three days, the average turnaround time is two weeks. The three-day standard is currently under review.

The CSU updates the web with recent institution closures on a weekly basis, and generates a report listing all institution closures for that week for Management. They also generate a report at the end of each month that is reviewed by all CSU staff and sent to all partners. If the CSU is notified of any discrepancies, they can modify the closure date in the system and the amended information will appear on the next monthly report.

While the CSU notifies partners of the institution's closure, the Document Receipt and Control Center (DRCC) contacts the institution to remind them of their closeout obligations. The DRCC queries PEPS on a weekly basis to identify all main location institution closures. They send each institution a letter, prepared in Word, to remind them that their closeout audit is due within 90 days. The date of the mailing is entered in PEPS. Additionally, the DRCC manually creates a Closed School Report in PDF format and posts it on CMONet for all Case Teams to access. The report is prepared and updated on a bi-monthly basis. Although there are documented PIP procedures related to the use of this report, current utilization of the Closed School Report by the Case Teams is inconsistent.

The DRCC monitors the 90-day period and follows-up with institutions that do not send a letter of engagement within the first 45 days. When the closeout audit is received, the normal process for audit resolution takes place. If the closeout audit is not received within the 90-day period, the DRCC notifies the Case Team so that they can review the un-audited period and determine whether or not any Title IV funds were received during that time. The Case Team will then prepare a total liability FAD, and send it to the address on record. From here the audit resolution process resumes.

Case Team's share responsibility for sending closeout audit reminder letters, and monitoring the receipt of engagement letters and closeout audits. Per PIP procedures, Case Teams are required to do this when schools voluntarily withdraw from Title IV programs (which does not also occur as the result of a school closure), are denied recertification, or have lost Title IV eligibility. Some Case Teams also monitor the 90-day period once a school has been notified by the DRCC, and contact institutions when responses have not been received to help speed up the process. These overlapping responsibilities lead to some duplication of effort.

### *Pending School Closure*

Occasionally, a Case Team learns about the pending closure of an institution's main location through student complaints, accrediting agencies or OIG. Upon receiving this information, they immediately verify that the institution is closing and notify the CSU. Depending upon the circumstances, they may also notify AAA, the Division Director, OGC, state agencies, or the accrediting agency. If the institution has not yet officially closed, they assess the risk to Title IV funds and may place the institution on reimbursement. (If the institution has closed, a Stop Pay is entered in GAPS.) The Case Team advises students and parents regarding transferring to another institution, receiving a loan discharge and further financial aid, and also reviews the closing institution's "teach out" agreement. The Case Team also advises the institution on teach-out requirements, works with potential teach-out schools, and addresses questions regarding purchases of closed school locations and assets. In addition, the Case Team must determine whether or not the institution has a Perkins loan portfolio, for which the promissory notes must be obtained, or cash on hand, which must also be recovered. The Case Team also collects on Letter of Credit funds, and ensures that the institution's records have been secured.



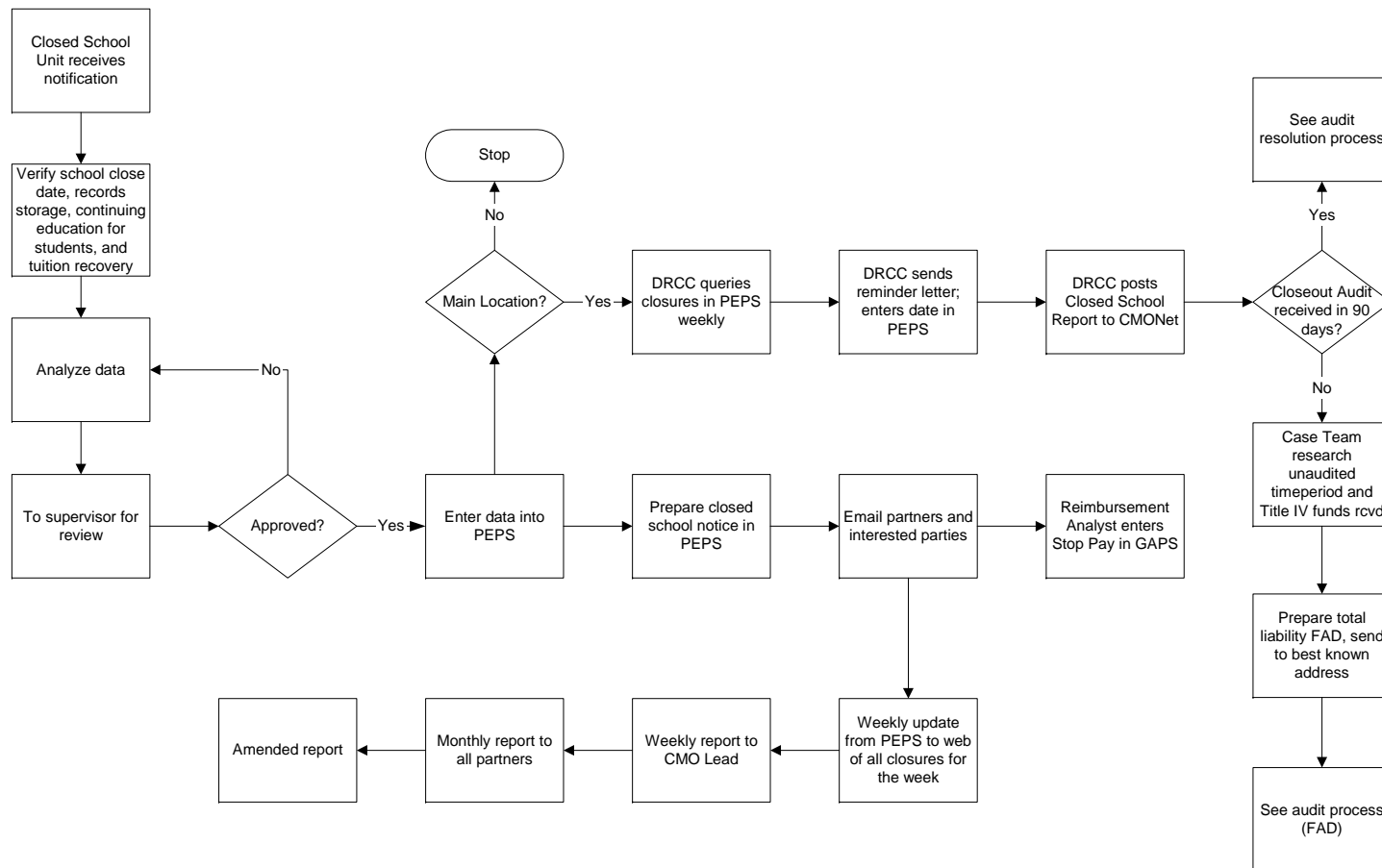
While these steps are taking place, AAA may be processing an emergency termination, the Closed School Unit may be following the verification process, and Public Relations may be handling media inquiries.

The overall process of a pending school closure greatly depends upon the orderliness of the institution, and its handling varies by Case Team. The Case Team typically records its findings in CMIS and shares information with the Closed School Unit, which is responsible for recording information in the PEPS Closed Schools Module. The CSU cannot enter a future closing date in PEPS; however, so once they are notified of a pending closure, the CSU does not record any data until the event takes place. Case Team documentation varies with each case and may not be completed for every pending closure.

Case Teams may receive pending closure information through e-App. When notice is received through this tool, the Case Team alerts CSU. PEPS suspends all application processing until the CSU verifies the institution close date, and enters it in the PEPS Closed Schools Module. In these instances, CSU usually advises the Case Team to contact the institution to resubmit their electronic application, rather than waiting for the actual close date to pass. Until the date is entered into PEPS (only current dates may be entered) neither the CSU nor the Case Team can process the application.



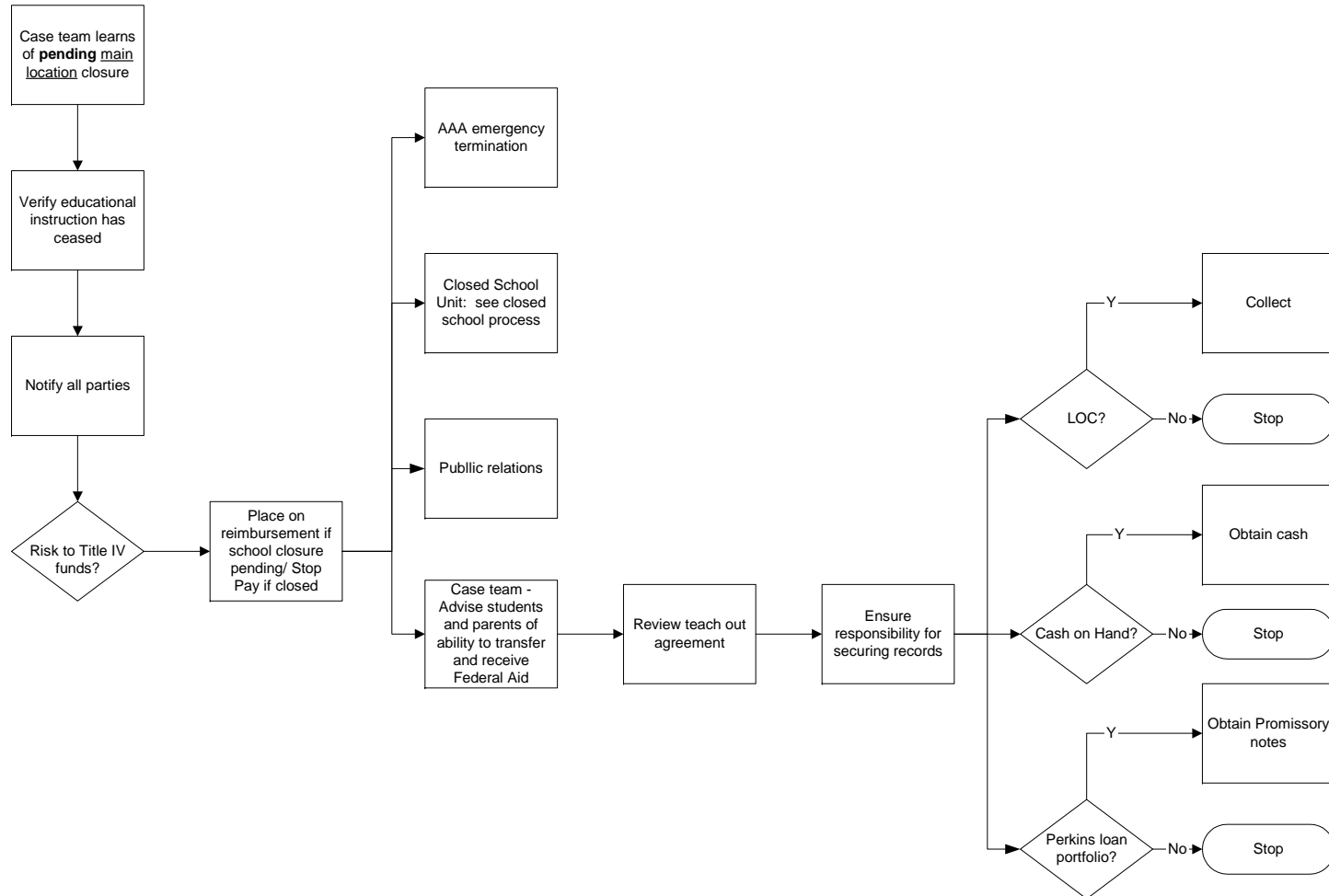
## Process Map for School Closure







## Process Map for Pending School Closure





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Email from CSU analyst requesting information from partners regarding institution closure
- Closed Institution Notification, PDF file, generated from PEPS
- Closeout audit reminder letter, Word document, prepared by DRCC

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- PIP Procedures Memorandum, 01-04 (R-1), dated March 27, 2002
- Subject: Close-out Audit Procedures for Proprietary Institutions

Listed below are key regional differences associated with this Case function.

- Utilization of DRCC's Closed Schools Report
- Documentation of findings related to pending school closures

Listed below are the key deliverables of this Case function

- Weekly institution closures report for management
- Monthly institution closures report for management and partners



## 2.5. Application

In order to participate in the Title IV funding program, institutions must be certified by the Department of Education. In 2002, CMO reviewed 740 schools for recertification. The teams have attempted to spread out recertification renewal dates by year in order to better balance workloads. This effort is clearly represented in the decline of recertification requests from a high of 2,490 in 2001. The Case Teams reviewed 2,316 institutions for other eligibility reviews and data updates in 2002, consistent with the 2,457 performed in 2001.

Institutions submit a request for certification to participate in the Title IV program through the Department of Education website. Online applications are reviewed by the Case Teams and the institution general profile is entered into PEPS (if one does not already exist).

An institution's certification is valid for a period of up to six years, depending on the institution's standing. Before the certification expires, institutions must apply for re-certification. This process is facilitated by the Case Teams. PEPS is queried quarterly by PIP for all institutions with a 'Recertification Due' within the next 7 months. This list is sent via email PIP to the Case Teams for review. Case Teams are aware of institutions pending recertification, Change In Ownership (CIO) or merger applications, in which case, a recertification reminder is not required.

Once the reconciled list of 'Recertification Due' institutions is created, a database (independent of PEPS) is populated with the institution information. This database tracks the institutions through the recertification process.

Six months prior to the institution's expiration of eligibility, PIP prepares a recertification notice and DRCC generates address labels for all institutions requiring recertification notice. Prepared envelopes are stamped clearly indicating, "Important: Recertification Materials Enclosed" and mailed.

Approximately 35 days prior to application due date, PIP prepares recertification reminder letter and the DRCC queries PEPS for institutions with an expiration date within four months. The DRCC checks to see if a recertification application has been submitted. Any outstanding institutions are re-sent the application materials one month from their expiration. Case Teams also have the ability to view the expiration query, so regional teams monitor their institutions for applications.

If an institution's certification expires, and a recertification application has not been submitted, the Case Team drafts a 'Loss of Eligibility' letter and sends it to the institution. In addition, PEPS is updated with the participation denial information, and the "expiration of Program Participation Agreement (PPA)" date. This triggers several activities (e.g. termination of payments in GAPS, etc) by groups outside of CMO. Most specifically this means funding is cut off for the institution.

While the Case Team notifies the institution regarding the loss of eligibility, the Document Receipt and Control Center (DRCC) contacts the institution to remind them of their closeout obligations. The DRCC queries PEPS on a weekly basis to identify all loss of eligibility institutions. They send each



institution a letter, prepared in Word, to remind them that their closeout audit is due within 90 days. The date of the mailing is entered in PEPS.

The DRCC monitors the 90-day period and follows-up with institutions that do not send a letter of engagement within the first 45 days. When the closeout audit is received, the normal process for audit resolution takes place. If the closeout audit is not received within the 90-day period, the DRCC notifies the Case Team so that they can review the un-audited period and determine whether or not any Title IV funds were received during that time. The Case Team will then prepare a total liability FAD, and send it to the address on record. From here the audit resolution process resumes.

Case Team's share responsibility for sending closeout audit reminder letters, and monitoring the receipt of engagement letters and closeout audits. Per PIP procedures, Case Teams are required to do this when schools voluntarily withdraw from Title IV programs (which does not also occur as the result of a school closure), are denied recertification, or have lost Title IV eligibility. Some Case Teams also monitor the 90-day period once a school has been notified by the DRCC, and contact institutions when responses have not been received to help speed up the process. These overlapping responsibilities lead to some duplication of effort.

### *Application Submission*

The recertification application, like the initial certification application, can be completed online. Functionality within the application ensures required fields are complete before an institution can officially submit the application for review to the Case Team. Once submitted, the application displays a list of required documentation that must be physically submitted to the Case Team to support the application. Institutions are asked to submit this information as quickly as possible.

Completed applications are viewed in PEPS in a pre-screening queue, which is regularly reviewed by the DRCC/DMA. One to two days after receiving the application, the DRCC/DMA makes an electronic request to the institutions to remind them to send the required paper documentation. This is the only contact with the institutions from the DRCC. After this initial communication, it is the responsibility of the Case Teams to interact with the institutions. Currently, institutions do not have the ability to upload the documentation electronically with their online application.

The DRCC/DMA records receipt of the required documentation in the PEPS 'material completeness' screen. In addition, the DRCC/DMA begins to perform preliminary edits on the submitted applications. Currently, there are 33 edits performed on an application. PEPS automatically performs 29 of these, with the remaining being conducted manually. Specifically, the manual edits include:

- Accounts receivables [\$75K]
- Debarment check of any of the institution's officials
- Perkins default rate
- State authorization check



The Case Teams receive the application materials from the DRCC/DMA once the edits have been conducted. However, the DRCC/DMA may send the application to the Case Teams even if all the physical documentation has not yet been received. This allows the Case Teams to communicate directly with the institutions and urge them to send the materials. The DRCC/DMA releases the application if:

- The application is complete
- The application has been in the DRCC/DMA for 10 days (some materials may have arrived, but the application not yet complete)
- The Case Teams request early release on a case by case basis

### *Application Review*

The application is now ready to be reviewed by the Case Teams. Decision-making for the processing of electronic applications varies by the type of submission. The most common type of submission is a recertification of eligibility. Initial certifications of eligibility, CIO and reinstatements go through a similar decision making process.

Co-Team Leaders or analysts from the Case Teams can run a query in PEPS to obtain a list of submitted re-certifications. Most applications currently in the queue have been reviewed by the DRCC for material completeness and supporting documents are anticipated by DRCC. If applications are not self-assigned by the analysts, then the Co-Team Leader will assign applications to an analyst or Program Support Assistant (PSA) for review.

The analyst reviews the application section by section on a split screen within PEPS. The left side of the screen contains information currently in PEPS; the right side is information from the recent application. The analyst reviews the data for changes and performs an analysis that identifies institutional trends and risk factors that may affect their decision. In addition to the application, the team must look at data from other sources, such as Program Review, CMIS, Audit, eZ-Audits/Financials, Reimbursements/Stop Pay/GAPS, AAA, Default Management, and consider the institution's overall administrative capabilities. The analyst contacts the institution or third party if information is missing or in question. Once the review is complete, the reviewer's recommendations are entered into the reviewer area. Any narrative analysis made in PEPS can be cut and pasted into CMIS. However, the narrative field in PEPS is not required and is not consistently used by all analysts. In general, there is no standardized way to capture the information from the analysis, and therefore, no consistency in documenting the rationale behind their decisions.

Once the analyst reaches a decision, the application is put on the agenda for a team or sub-team meeting. Applications that have no significant issues go through a perfunctory discussion to obtain team concurrence. Team discussion is mainly focused on those applications with issues that require more attention. While the analyst is responsible for evaluating all the data and presenting a recommendation, the team may debate the recommendation and determine a different course of action. The rationale for the decision made by the team should be recorded in PEPS and CMIS; however, there is no standardized procedure.



If the Case Team approves the application, the Case Analyst produces a letter with a revised Eligibility and Certification Approval Request (ECAR). The Co-Team Leader signs off on the decision and the institution is notified of its continued (or new) qualification in the program. Approval can be full or provisional. Provisional approval indicates the institution qualified for participation; however the case will be reviewed more regularly than a full participant. For example, an institution can be provisionally certified for 3 years, versus the full certification of six years. The Case Analyst enters the required information in PEPS, and the information migrates into PEPS production.

In the event a Case Team decides to deny an application, the team seeks concurrence from the AAA group (to validate precedents, etc) and sends a denial letter to the institution.

### *Direct Loan Applications*

The Direct Loan Program is one of the Title IV programs. As the newest Title IV program, it was decided in 1996 that the DL selection process would be centralized in Washington DC in the Direct Loan Task Force to avoid inconsistencies in decision-making. Today, there is one Performance and Accountability Improvement (PAI) staff member who reviews all the “applications” for Direct Loan program and determines if they should be approved.

All types of institutions are eligible for this program. PAI receives about 150 applications and appeals for the Direct Loan program per year. A small percent of the “applications” are rejected but about twenty-five percent of all appeals for a change in origination level are rejected. The majority of the institutions participating in the program are proprietary institutions.

When an institution decides to apply, it either adds Direct Loan as a program on the e-app or it sends an e-mail, fax or letter to the PAI office. The PAI staff prints the “application” and stores in the institution’s paper file.

First, the PAI staff member reviews the application for completeness and enters the “application received date” in PEPS. There is no formal application institutions need to fill out in order to apply for the Direct Loan Program. It is sufficient if the institution’s message includes:

- Name of the institution official sending in the request
- Institution Name and OPEID
- The request itself

The PAI staff member then researches and evaluates information regarding the applicant. The only legal condition the applying institution must meet is that it is already approved for Title IV programs, specifically FFEL. The PAI staff member considers the institution’s program review findings (if any), any administrative issues, IG investigations with the institution or its staff, default rate, and consistency in submitting audits. The PAI staff member consults with Case Team, Default management, AAA, OIG, Audit Review, Perkins Loan Program. Based on this information, the PAI staff member will recommend approval or rejection of the institution’s request.



If the recommendation is to approve the institution's request, the PAI staff member must also determine the origination level. There are three origination levels: Standard, Option 1 and Option 2 (standard is the least desirable and Option 2 is the most desirable). Institutions participating at Option 2 origination level are allowed to directly access U.S. Treasury funds. Institutions participating at Standard origination level are granted access to their funds through Loan Origination Center. The origination level is recorded in PEPS.

Institutions are most often approved for the program at the Standard origination level. If the institution falls within any of the following criteria, it participates at Standard origination level:

- Institution is new
- Institution is on reimbursement
- Institution has several performance deficiencies
- Institution is not financially responsible
- Institution is not current on its Campus Based reports
- Institution is not current on its Pell Grant reports
- Institution has missing audits
- Institution has excess cash determination
- There are material findings against the institution
- Institution has outstanding/delinquent debts

The PAI staff member summarizes his/her findings and decision in an e-mail that is sent to the PIP Director for final approval. A hard copy of that message is filed in the institution's paper file.

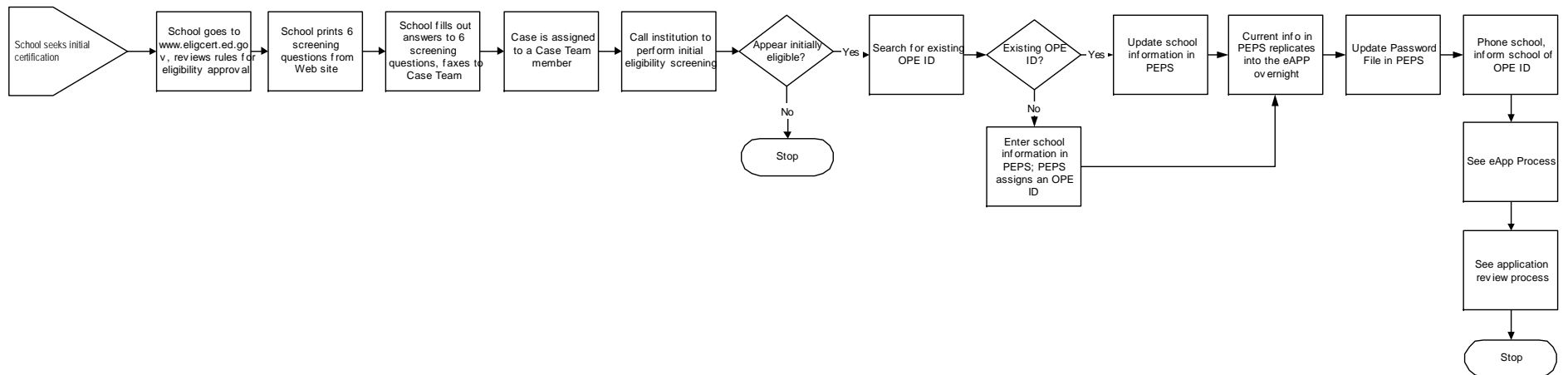
If the institution's application for the Direct Loan program is rejected, that decision is communicated to the institution via e-mail and it is also recorded in PEPS.

If the institution's application is approved, the PAI staff sends a message to the institution and copies appropriate Case Team and CAM. The PAI staff requests from the appropriate Case Team to create ECAR and the PPA Amendment. The Direct Loan Operations group is also contacted to place the institution on the Approved Direct Loan List. The PAI staff enters information in PEPS.

At the end of the process, an approval letter (which includes the origination level, CAM list, Direct Loan Option Fact Sheet, Section A of the ECAR) is sent to applicant. Changes Notices are distributed via e-mail to all relevant parties. (*Note: The relevant parties differ from case to case but they usually include relevant Case Team and CAMS*).



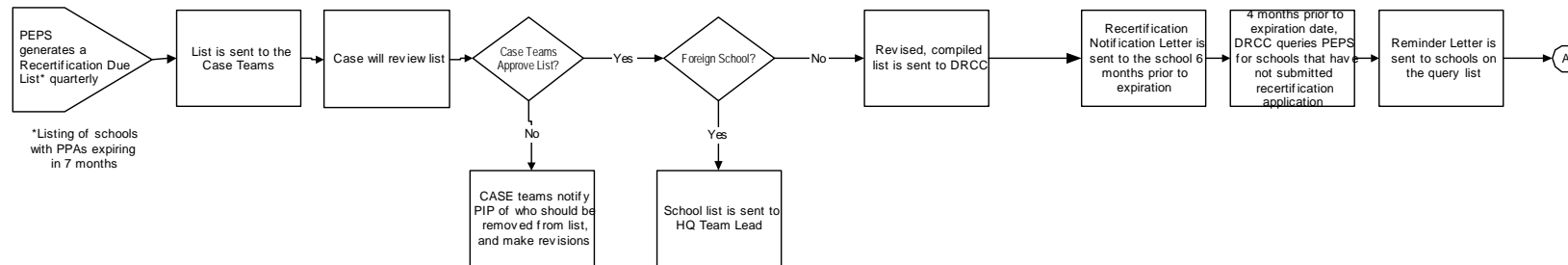
## Institutional Eligibility - Initial Certification





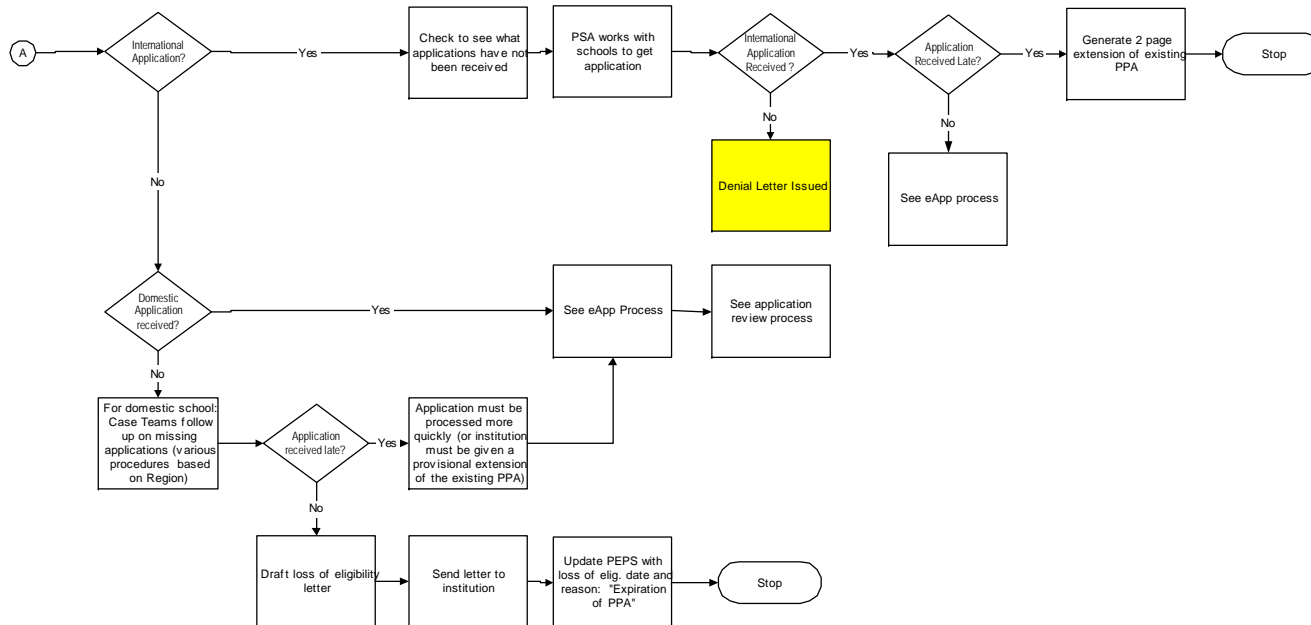


## Institutional Eligibility - Recertification



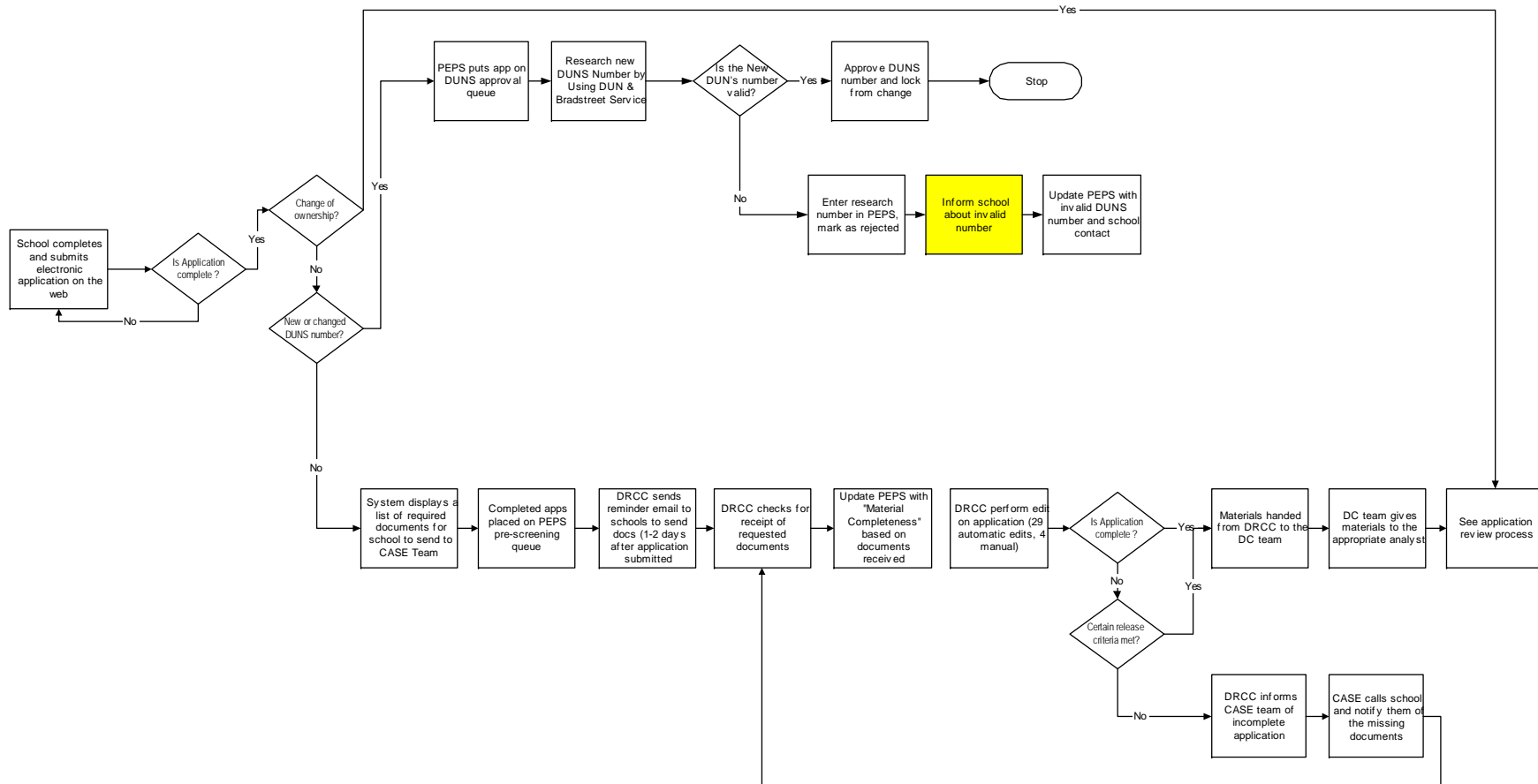


## Institutional Eligibility - Recertification (continued)



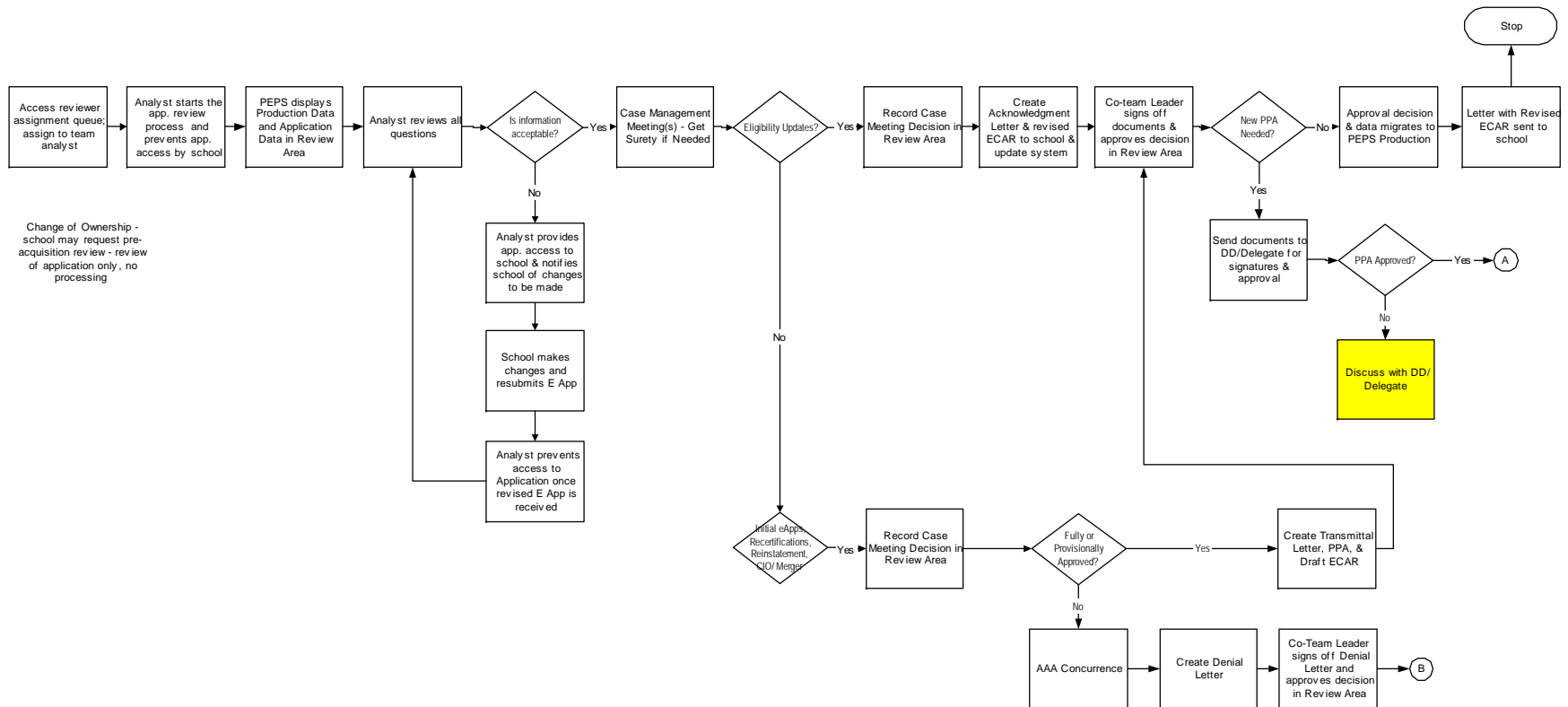


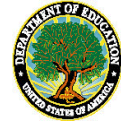
## Institutional Eligibility - EApp



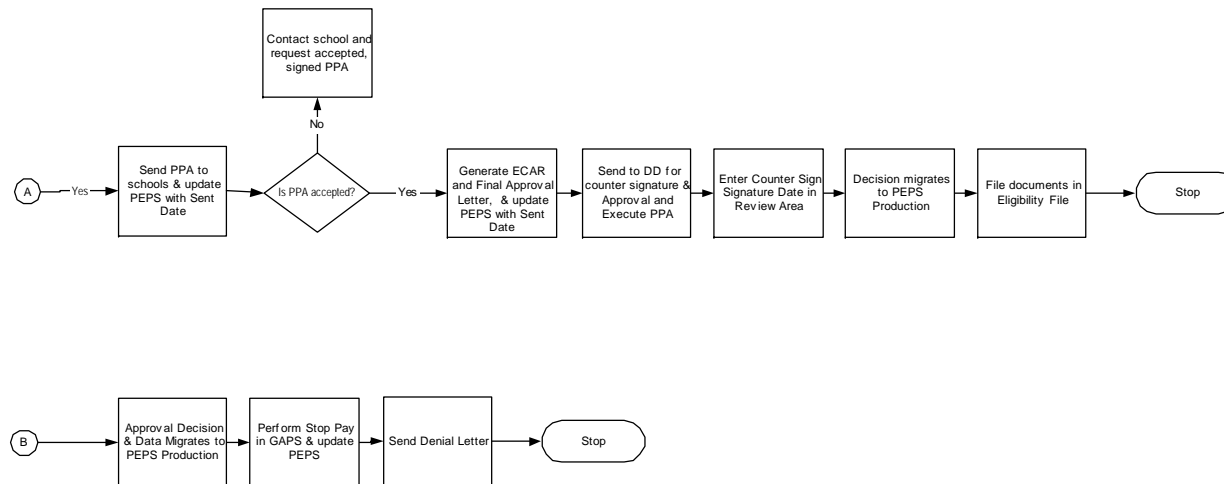


## Institutional Eligibility- Application Review



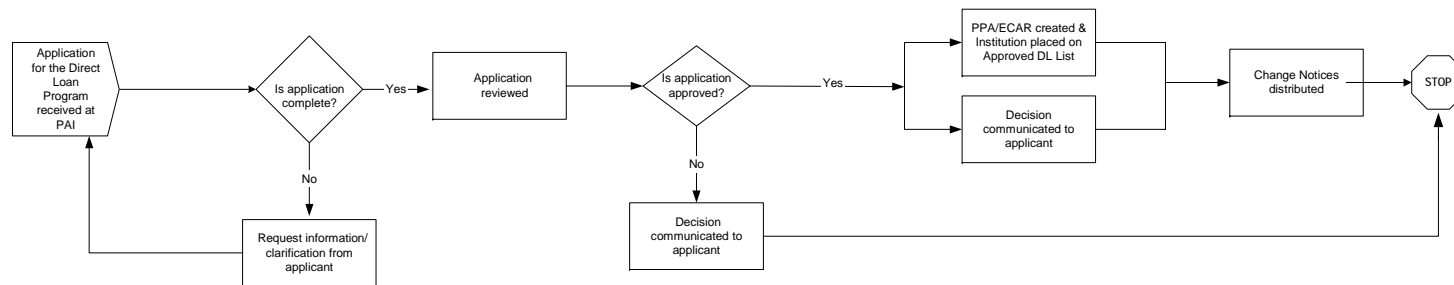


## Institutional Eligibility- Application Review (Continued)





## Process Map for Direct Loans Program





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Website for initial certification requests
- Recertification notice (i.e. certification set to expire in 6 months)
- Follow-up recertification request notices
- "Loss of Eligibility letter" due to no application received
- Transmittal letter
- Program Participation Agreement (PPA)
- Extension of PPA letter
- Eligibility and Certification Approval Report (ECAR)
- Denial letter
- Approval letter
- Updated approval letter
- Updated acknowledgement letter

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- None Mentioned

Listed below are key regional differences associated with this Case function.

- Assignment of cases to team members

Listed below are the key deliverables of this Case function.

- See Correspondence

## Summary Points Specific to Direct Loans

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Message acknowledging the receipt of the application for Direct Loan Program
- Direct Loan Decision Letters



- Change Notice

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- Criteria for the William D. Ford Federal Direct Loan Program
- PIP Procedures Memorandum 98-03, April 22, 1998

Subject: Direct Loan Origination Level Changes

Listed below are key regional differences associated with this Case function.

- None mentioned

Listed below are the key deliverables of this Case function.

- None Mentioned





## 2.6. Program Review

Program Reviews are conducted by Case Management and Oversight (CMO) to monitor institutional compliance with the Title IV, HEA, and Federal Student Aid (FSA) regulations. Program Reviews are a routine part of CMO's monitoring of FSA funds administration on the part of postsecondary institutions. On average, based on historical data, a regular review is conducted every seven years; however any number of triggers can prompt the Case Teams to conduct a Program Review. Such triggers include, but are not limited to, the risk management process, audit, student complaint, Inspector General review, media/ high profile event, or Ability To Benefit (ATB) test publisher reviews.

Three types of Program Reviews typically are performed. They include:

- Survey Review- all inclusive
- Model Case Enforcement Review- suspected fraud or abuse, which will most likely result in an administrative action being taken
- Focused Program Review- the review scope is specifically limited to a particular issue (e.g. campus refunds, student return to Title IV (R2T4) campus security, verification, etc)

### *Survey Review*

A Survey Review is normally conducted to review an institution's general performance in meeting its administrative and financial obligations relative to the program. In conducting a Survey Review, the review team examines the institution's Student Financial Aid records, policies and procedures keeping in mind the reasons the institution was selected for review and any serious deficiencies noted in previous audits or reviews. In 2002, 245 on-site Program Reviews were conducted, a 40% increase over 2001.

Most Program Reviews are announced to the institution in advance, thus allowing for some preparation before the two-to-three member Case Team arrives onsite. In rare circumstances, such as with suspected fraud or criminal actions, the reviewers will arrive unannounced on campus to conduct their business. Of the 245 on-site reviews conducted in 2002, 8 were on-site, unannounced.

Two to three weeks prior to an announced review, the Case Team will send a letter to the institution asking for the collection of a preliminary set of information. Typically, the teams request a list of the students receiving Title IV funds (which will be utilized later to compile a statistical sample), course catalogs, handbooks, and policy and procedure guides. Some materials are sent to the Case Team prior to their visit, and the remainder are prepared and waiting for the on-site visit. This is dependent on the institution, though it is preferable to have the materials in advance.

During the two- to three-week period the institution is preparing for the review, the Case Team is actively conducting its own research. Specifically, the team reviews the following checklist of sources for data:



- Institutional Assessment Model (IAM) *risk factors*
- PEPS
  - general screens
  - accreditation
  - financials
  - institution officials
  - institution locations
  - certification approval report
  - offerings list
  - Program Participation Agreement (PPA)
  - Eligibility and Certification Approval Request (ECAR)
- Case Management Information System (CMIS)- *comments regarding previous research on an institution*
- Grant Administration and Payment System (GAPS)- *institution award history (draw-downs by program, etc)*
- National Student Loan Data System (NSLDS)- *student specific data*
  - institution's award history
  - student enrollment history
  - overpayment history
  - default information (based on statistical sample determined in earlier step)
- Common Origination and Disbursement (COD)- *Pell Draw Down information*
- Fiscal Operations Report and Application to Participate (FISAPS)- *campus based history*
- ACORDE- *older audits (may or may not exist, but this can provide a solid starting point for the analysis)*
- Institution Website- *student handbook or policies listed online*
- Web Search (using an engine such as Google or Yahoo)- *institution related news stories, etc*
- Office of Post-secondary Education (OPE) Campus Security website- *institution reports*
- Accreditation agency- *coordinate and ensure other reviews are not underway*
- State licensing- *coordinate and ensure other reviews are not underway*
- Guarantee agencies- *coordinate and ensure other reviews are not underway*
- Common Account Maintenance (CAM)- *Direct loans information*
- eCampus Based- *Student information*

The research conducted provides the basis for the institution's work paper file, which will expand during the review process to include all hard copy data collected including correspondence and any student specific details as they arise. *(Note: team members are collecting screen shots and hard copies of all data researched from the sources listed above. This ensures the team has evidence to support any conclusions it makes; and the teams are, in fact, conducting the pre-review research.)*

If the institution submits student recipient rosters prior to the reviewer's visit, the Case Team will create a list of students to be interviewed, or whose case files will be thoroughly reviewed. Not all recipients are reviewed; instead, a statistically valid sample size is determined to streamline the Program Review process. Under certain circumstances, the recipient list is not received prior to the reviewer's arrival at the institution, and thus, the sample is created later in the process. Student worksheets (used for the interview and review process) are created, and included in the site plan. Across the various Case Regions, the site plans are created differently. For example, in San Francisco, an electronic format is used, while in other regions, hard copies of the site plans are simply added to the institution's work paper file. Additional components of the site plan include:



- Student Eligibility- *assess if all students in the sample meet certain criteria (e.g. enrollment information)*
- Disbursements- *verify certain criteria is met for all students in the sample*
- Refunds, Return to Title IV (R2T4)- *conduct tests to determine if required refunds have been made, as well as determine the timeliness of the refunds*
- Fiscal- *conduct tests to determine the institution's compliance with Cash Management regulations*
- Campus Security
- Federal Supplemental Educational Opportunity Grant Program (FSEOG)
- Federal Work Study Program (FWS)
- Consumer Information

At this point, the review team has concluded the pre-site research and is prepared to visit the institution. Just prior to departure, the lead reviewer may enter a comment into CMIS indicating a Program Review is underway. This assures that any other FSA group conducting research on the institution is aware of the Case Team's actions.

The review team, consisting of one, two, three, or more case team staff (depending on the size of the school, complexity, and number of sites), arrives on-site, typically at the beginning of the week, to allow for several days of on-site review. Upon arrival, the team conducts an entrance interview with key staff. The purpose of this discussion is to meet the officials, explain the Program Review process, and elicit an introduction and cooperation from those involved. Any materials requested by the Case Team (in the announcement letter) that did not arrive in advance are also made available at this time.

For each of the students on the list pulled for the statistical sample, the team requests and reviews all student records, which typically include:

- Financial aid
- Enrollment records
- Transfer records
- Academic record (current grades)
- Account ledger records (tuition)

The institution either pulls hard copies of the files, or provides a terminal, password and training for electronic file retrieval. Most institutions have hard copies for the teams to review. *Note: these types of records may be in one compact institution record, but many institutions retain this information in different repositories that must be searched, thereby adding to the complexity of the request.* An institution's administrative capability is carefully observed as student records are retrieved, to determine how efficiently and organized an institution operates.

Certain files are photocopied and placed in the 'institution working papers' file, including the student enrollment agreement (proof of enrollment), Institutional Student Information Report (ISIR), student account ledger and any documents that may be needed to justify findings. The purpose of the



photocopies is to provide evidence to managers that files were reviewed, and to maintain the hard-copy findings in the event evidence is needed. Every review requires photocopies of these files, as well as hand-written forms that document key information from each record.

In addition to the hard copy files being collected, the teams meet with key administrators and students in an attempt to determine roles and responsibilities, inconsistencies in policy or administration of Title IV funds.

During the review process (typically five days on-site), the team is in daily communication with the institution, informing administrators of any preliminary findings, questions, etc. At the conclusion of the on-site overview, the team conducts an exit interview to establish next steps, and outline the materials collected.

Upon the team's return to their office, a thorough inventory is conducted of all the materials collected. Again, all materials are kept in hard copy format in the 'institution working paper's file' in the regional office. Within five days of returning to the office, the Case Team must update PEPS with a list of all the materials collected while on-site. PEPS auto-generates a Program Review Control Number (PRCN.) This serves as a reference to other members of the FSA organization, should they need to access any materials. The team Program Support Assistant (PSA), using the PRCN, begins to transcribe the on-site team's hand-written forms into PEPS.

The Program Review team continues to examine the materials collected for evidence of fraud, improprieties or infractions. Should they have any additional questions, three options exist: 1) request, in writing, additional information from the institution; 2) conduct additional student or staff interviews; or 3) return to the site for additional material collection. If the review team suspects fraud has occurred at the school, a member of the review team contacts the Office of the Inspector General (OIG) for Investigations. From here on out, the case team works closely with the OIG throughout the program review process.

If the team identifies consistent errors in the records being reviewed for any given award year (typically error rates of 10% or greater), a file review may be requested. A file review requires a school to thoroughly examine the student records used in the statistical sample to determine the extent of the issue. The Case Team reviewers would then extrapolate any liability amounts determined for students in the statistical sample and apply it to the entire pool of students for the applicable error period. In some instances, the Case team may require the file review be independently audited by a CPA.

Once the review team has enough information to make a determination, there are two alternatives available depending on the type of findings discovered, an Expedited Determination Letter, or a full Program Review report. Regardless of the type of report issued, the Case Team must submit a report of findings to the institution within 45 days of the exit interview.

An Expedited Determination Letter (EDL) is used when there are no significant findings, or the institution immediately agrees on resolution of the moderate findings identified by the reviewer. In such a case, the reviewer drafts the EDL, receives sign-off from the Co-Team Leader or ACD (who would review the working papers to concur with the findings) and sends the letter to the institution. Dates of mailings are recorded in PEPS for tracking purposes, and comments are entered into CMIS regarding the moderate findings. Any 'significant' working papers are sent to the DRCC for scanning



into ACORDE. However, no set guidelines exist as to which documents are sent to this repository. Most of the working papers are kept in the regional office.

A full Program Review report is created when serious findings are discovered during the review, or an issue cannot be resolved in an expedited manner. Many Program Review findings are not 'serious' but cannot be resolved via an expedited determination and thus have to be documented in a Program Review. The initial step for such a report is to assign additional resources from the Case Team. There are regional differences as to how this is conducted, however the premise generally remains that sections of the report are delegated to team members. The report contains three primary sections, including a report of the deficiencies, an outline of the regulations that were violated, and required actions by the institution.

In order to accurately complete each section, the Case Team may contact various FSA organizations to clarify policy, investigate precedents, etc. These outside groups include Performance Improvement and Procedures (PIP), Office of General Counsel (OGC), and Office of Post-secondary Education (OPE). If an administrative action is required or suspected, the Case Team will also request the input of AAA to determine if there is anything that should be done so as not to preclude any future administrative action. Each group may contribute significantly to the Program Review report as it is being drafted. However, during the creation of this report, regional and institutional differences may occur with regard to interpretation of policy, etc based on precedents taken in each region.

The review document is approved by the Co-Team Leader or ACD. The review of findings is sent via certified mail to the institution. PEPS records the date on which the letter is sent, for tracking purposes. This is a Program Review Report, submitted by the Case Team to allow the institution to address the team's concerns immediately. The cover letter to the report includes a request for the institution to respond to the Case Team, addressing each of the required actions.

*Note: As the report is being created, the Case Team can request the institution be placed on Heightened Cash Monitoring or, if deemed appropriate, an Emergency Action. Such cases are referred to the AAA group, and would be handled in a parallel process to the activities mentioned in this Program Review section. See the AAA processes for a description of such administrative actions.*

The Case Team actively monitors for the receipt of a response from the institution. The response is critical for completing the Final Program Review Document (FPRD). The FPRD incorporates the Program Review document, as well as the institution's 'plan of action' for addressing the Case Team's concerns. Assessed liabilities, policy changes, administrative action, referrals, etc., are all outlined as appropriate in this final iteration of the review. The Case Team refers institutions to AAA for the investigation and potential implementation of administrative action, thus the FPRD does not outline any actions against the institution.

Once the FPRD is approved by the Co-Team Leader or ACD it is widely distributed internally. For example, if liabilities are assessed, the document is submitted to Finance along with appropriate accounting documentation. If the issues relate to the Direct Loans Program, notice is submitted to the DL team. Then the Case Team sends the FPRD via certified mail to the institution. Included in the cover letter to the institution are explicit instructions to be followed for either an appeal of the decision or actions that must be taken to remit liability payments. When the Case Team receives return-receipt notification that an institution has received the certified mail, the receipt date is entered into PEPS, thereby starting the 45-day appeals countdown. Finally, the FPRD is sent to outside agencies to



inform them of the actions being taken by CMO. These agencies include: accrediting agencies, the state licensing board, and guaranteeing agencies. PEPS is only used to record the dates the FPRD is sent to the institution.

The Case Team closes out the Program Review in PEPS, and enters comments into CMIS summarizing the findings. The Case Teams do not need to follow-up with finance to document the receipt of outstanding liabilities. Instead, the teams access CMONET, which lists accounts receivables for all institutions.

#### *Model Case Enforcement Review*

As mentioned earlier, a Model Case Review is conducted when an institution is suspected of fraud or abuse, most likely resulting in an administrative action being taken. In such cases, the review teams act quickly and typically do not announce their visits prior to arrival. Based on the nature of the circumstances, outside offices are involved, including the Office of General Counsel (OGC), Office of Inspector General (OIG), and Administrative Actions and Appeals (AAA), as appropriate.

*Note: The department has the authority to take various administrative actions against an institution whenever there is a violation of any Title IV, HEA program statute, regulation, special arrangement, agreement or limitation prescribed under the authority of Title IV of the HEA. The authority to take these actions is found in Subpart G- Fine, limitation, suspension, and termination proceedings*

The standard two-to-three person Case Team is accompanied by representatives from the outside agencies (OGC, OIG, and AAA) during the unannounced on-site visit. Depending on the number of locations for a particular institution, the Case Team may attempt to visit all locations simultaneously, to prevent destruction of key evidence.

While on-site, the Case Teams conduct formal research. In addition, their research includes more thorough, aggressive techniques (such as searching dumpsters for destroyed evidence.) The teams also tend to conduct more administrative and student interviews to flush out evidence and include both current and former employees.

After the release of the Program Review documentation, there is an extensive internal review of all the evidence collected during the on-site visit, and pre-visit research. External teams thoroughly review all precedents, including previous actions taken against institutions, before rendering a decision. As a result, the Case Teams are not required to meet the 45-day turn around timeframe for the release of the FPRD (from on-site exit interview to release of document).

The process for the Survey Review may be referenced for Model Case Review, with the understanding that the outcome will probably result in a referral to OGC, OIG, or AAA.

#### *Focused Program Review*

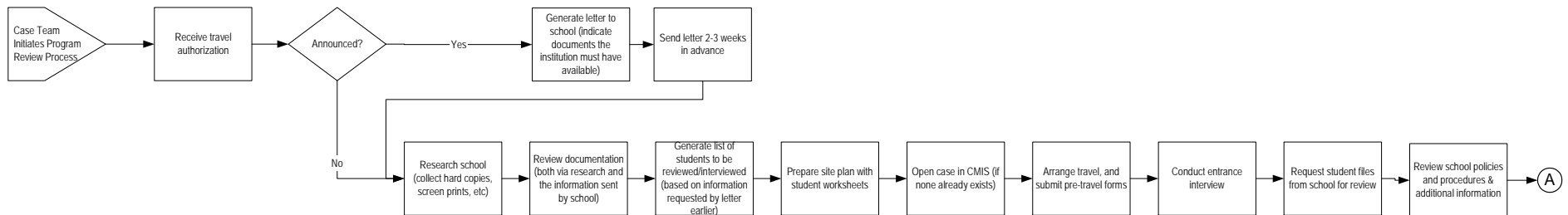


As noted earlier, a focused Program Review is conducted to investigate a specific issue relating to an institution. Thus, the Focused Program Review process very closely resembles the Survey Review, with a few noted exceptions.

Specifically, when the Program Review Team is conducting preliminary institutional research, their work is limited to the particular focus area for the specific issue being addressed. They omit extraneous research areas to streamline the process. This also applies to their site-visit checklists (if an on-site review is required). The teams may, however, research additional sources not typically covered in a Survey Review. For example, if campus security was being reviewed, local police department records might be accessed. Focused Program Reviews involve more interviews with both students and administrators in order to guide Case Team's research.



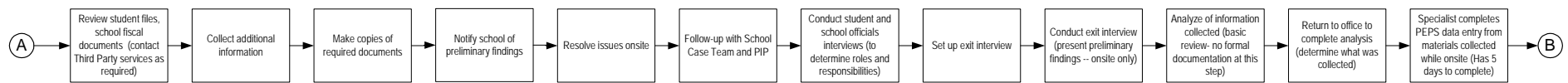
## Process Map Program Reviews





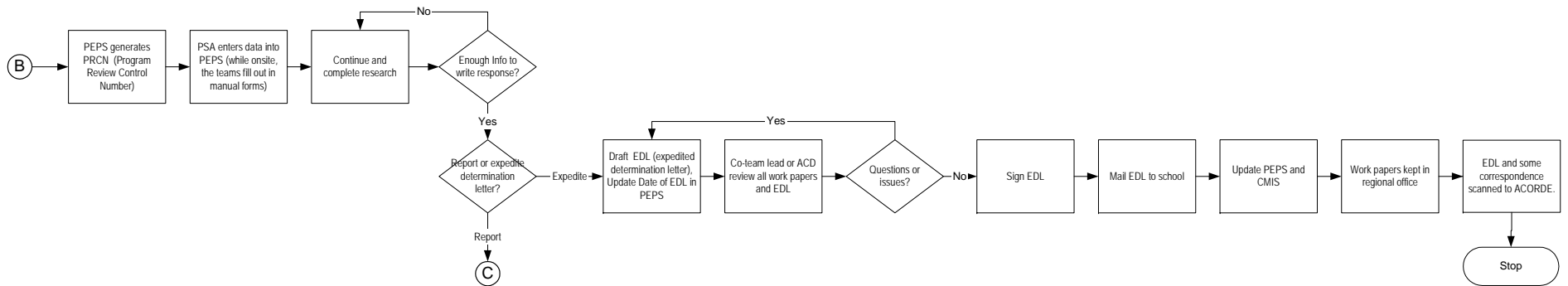


## Process Map for Program Reviews (continued)



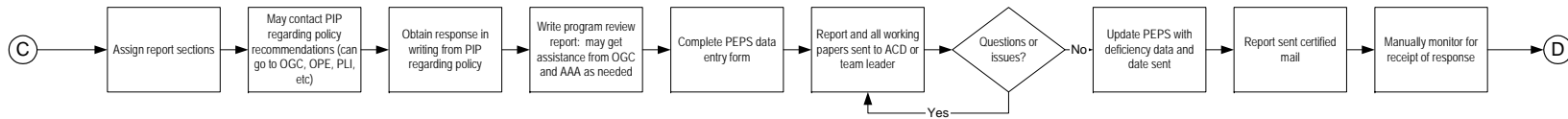


## Process Map Program Reviews (continued)



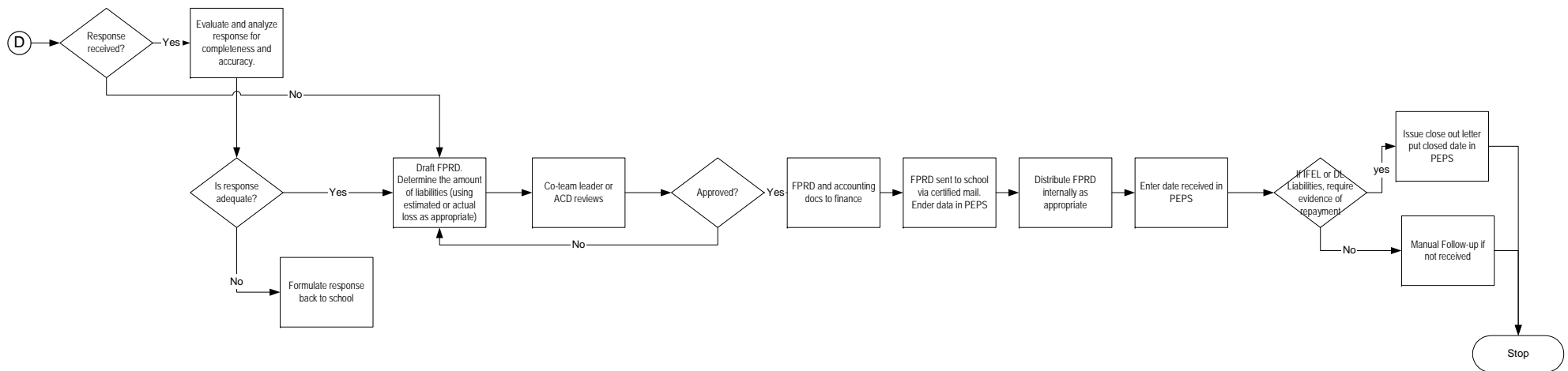


## Process Map for Program Reviews (continued)





## Process Map for Program Reviews (continued)





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Letter to institution announcing visit (including what materials institution must prepare for review)
- Sample FPRD and corresponding letters (for liability findings, etc)
- Sample EDL
- Inadequate information letter

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- None Mentioned

Listed below are key regional differences associated with this Case function.

- The assignment of reviews to Case Team members
- Required document sign-offs
- Inclusion of outside groups in the decision making process (i.e. AAA, OGC, PIP, etc)
- Site plans (for visiting institution) San Francisco regional office, for example, uses an electronic sheet for this
- Methodologies for selecting institutions for Program Reviews

Listed below are the key deliverables of this Case function.

- Program Review Report
- Final Program Review Document
- Expedited Decision Letter



## 2.7. Administrative Actions and Appeals (AAA)

The Administrative Actions and Appeals (AAA) group's is the designated office within the Department that can initiate adverse administrative actions (as outlined in 34 CFR Part 668, Subpart G) against an institution that may not be administering Title IV, HEA program funds properly, is suspected of fraud, or other program violations. In 2002, AAA initiated 37 actions, an increase from 20 in 2001. Referrals for administrative actions come from a number of different sources including:

- Inspector General
- Program/Audit Reviews
- Case Team decisions
- Default Management
- Office of Post Secondary Education
- Other Education Offices including: Office of General Counsel (OGC), Office of Educational Research and Improvement (OERI)
- External agencies (accrediting agencies, state licensing agencies, guaranty agencies)

The AAA group is primarily located in the Washington, DC office. In general, each team member serves as a liaison to the Case Teams and provides advice and guidance to members of the Case Teams regarding the appropriate actions to be taken against schools that have violated the Title IV, HEA programs. Based on this team structure, regional differences do not pertain to specific actions of the AAA group; however their interaction with the disparate regional teams may introduce some regional differences.

### *Standard Action*

Once an issue is identified by the referring agency, documentation is submitted to the AAA director, with all hard copy evidence attached. The director enters preliminary information into PEPS (i.e. referral agency, date) and makes an assignment to one of the AAA staff using a drop-down menu in PEPS. The cases are usually assigned based on region; however, workloads may warrant balancing cases across all team members.

Once an assignment is made, the AAA staff member receives a hard copy printout of the PEPS case, and all documentation submitted to the director. Then, AAA begins to research the issue utilizing one or more of the following sources:

- PEPS (including the AAA module to see if any previous action has been taken against an institution)
- CMIS
- ACORDE



- Eligibility, Program Review and Audit files- The paper files, including working papers, are requested from the DMA.
- Case Teams- for opinion on current institution landscape and to inform them an issue is being investigated
- Lexus/ Nexus for information on the holders, or info on proprietary institutions
- Institution websites
- General Google Search for student complaints, etc that may be in chat rooms
- Accrediting agencies or guaranteeing agencies depending on nature of the issue

In addition to conducting background research, the AAA staff may seek input from the Office of General Counsel (OGC) to determine the amount of evidence required to support any action that may be determined appropriate. Based on the research gathered, PIP procedures, precedent and input from outside agencies, the AAA staff determines if an administrative action against an institution is justified. The director is involved with the decision making process. Actions can include any of the following:

- Revocation of provisional Program Participation Agreement
- Recertification denial
- Fine
- Termination
- Limitation
- Suspension
- Emergency Action

*Note: An emergency action does not extend more than 30 days after initiated unless AAA initiates a limitation, termination or suspension proceeding against the institution within that 30 day period, in which case the emergency action continues until a final decision is issued in that proceeding*

In addition, in coordination with the case teams, AAA regularly prepares revocation notices of institutions' provisional Program Participation Agreements and recertification denial notices, as well as other adverse notices (i.e., denial of change of ownership). However, these actions (and a school's appeal rights with respect to these actions) are not governed by 34 CFR Part 668, Subpart G – "Fine, Limitation, Suspension and Termination Proceedings"

*Note: If AAA believes fraud is being committed by any school official or person affiliated with an institution, they immediately notify the Office of the Inspector General (OIG) to begin an investigation. AAA works with the OIG throughout this process. However, AAA continues to proceed with the appropriate administrative action.*

The AAA staff drafts the appropriate notification letter. The OGC may assist in order to ensure the letter meets any legal requirements. Depending on the type of action involved, and basis for the action, the appropriate notification letter may contain some standard templates. For more complex cases, the notices are drafted on a case by-case basis. They are drafted on a case-by-case basis



using examples specific to the institution and issues. Prior to notifying the institution, however, AAA may send an alert notice to key individuals. Such a notice serves several purposes, and is used for politically sensitive or high profile actions. First, the alert ensures key FSA offices are aware of a particular action being taken against an institution. Second, the offices may request the action not be taken for various reasons (e.g. other investigations are ongoing that were not discovered during the research phase, the action is too harsh based on the circumstances, the action may be setting precedent, etc). Once all parties have been given a chance to respond positively to the alert notice, the Director signs off on the notification letter and sends it via certified mail to the institution.

AAA updates PEPS with the action taken (via dropdown), the rationale (via dropdown), and any comments associated with the case. If the case requires an emergency action, PEPS populates the eligibility screen with the action, date and reason.

AAA distributes the notification letter to appropriate internal and external groups including one or more of the following: the Case Teams, accrediting agencies, and state licensing agencies, guarantee agencies, Closed School Unit and Division Director (DD). If the action involves the imposition of an emergency action, AAA also prepares and transmits a memorandum to various internal and external groups outlining the reasons for the emergency action, the consequences of the emergency action, and the effective date of the action. The memorandum is generally sent to all appropriate individuals via e-mail.

A section outlining the ability to appeal any AAA decision is included in the letter to the institution. However, certain timeframes exist. For example, Fines, Terminations, Limitations and Suspensions all must be appealed within 20 days of receipt of the first notice (which is time stamped by the certified mail), whereas Emergency Actions can be appealed at any time. (note: AAA generally specifies a specific date by which the school must submit a written request for a hearing and/or submit written material indicating why the action(s) should not be imposed)

In lieu of filing an official written request for a hearing, an institution may submit additional material to the AAA team. In some cases, these materials may provide additional clarification regarding the issue or vindicate the institution of the charges. By submitting additional materials, however, the institution waives its right to an appeal because the appeal timeframe will expire as the additional materials are reviewed. The AAA staff reviews the materials and adjusts any actions as appropriate. The AAA Director will notify the institution of the results of the review via a letter sent certified mail (that the action will be imposed as of a specified date, withdrawn, or modified, or in the case of a fine, that the fine will not be imposed or the fine is imposed as of a specified date and in a specified amount). Copies of this notice are also distributed to the case teams, and other appropriate offices and agencies. PEPS is then updated to reflect the final outcome

If the institution decides to appeal, the school (or its attorney) submits a written request for a hearing to the AAA Director. AAA staff updates PEPS with a checkmark indicating an appeal has been requested. The case is then forwarded to the OGC and Office of Hearings and Appeals (OHA receives two copies of the administrative action notice and two copies of the school's written request for a hearing; OGC receives one copy). PEPS is updated by AAA as the case is assigned a judge, attorney, and docket number.

*Note: At any time during this process, the institution and FSA may reach a settlement, at which point, the appeal process ends.*





During the appeals process, AAA works with the OGC. AAA is responsible for preparing the evidence and exhibits based on the research used to make the original decision. If the appeal is an emergency action, the institution has the burden of proof. During the proceedings, the Case Teams, AAA, and other sources may be called as witnesses to support the decision. While these cases occupy a great deal of time, very few are conducted each year.

Timeframes vary for each hearing; however in general, 'show cause' hearings are conducted for emergency actions as soon as practical. Hearings for limitations, suspensions, terminations and fines are usually about 3-4 months after the action is initiated.

Following the hearing, a hearing official issues a written initial decision to OGC, AAA and the school (or its attorney) via certified mail. AAA staff update PEPS to reflect the initial decision date. Both the institution and the Department have the right to appeal the judge's decision to the Secretary of Education within 30 days after the party receives the initial decision, by submitting a brief or other written statement that explains why the party believes that the Secretary should reverse or modify the decision of the hearing official. Neither party may introduce new evidence upon appeal. Such appeals go directly to the Office of the Secretary of Education. While rare, such appeals do occur. There is no timeline for a decision; however, the Secretary may affirm, modify or reverse the initial decision, or may remand the case back to the judge (with specific instructions and/or guidelines). Once the Secretary issues a decision, this becomes the final decision of the Department unless the case is remanded back to the hearing official. Currently, there are five to ten cases awaiting a decision by the Secretary.

To close out the administrative action process, AAA distributes copies of the initial decision and the Secretary's final decision (if applicable) to the case teams and other offices if applicable. If a termination is imposed, AAA also prepares and sends a memorandum (internally and externally as appropriate) outlining the consequences of the termination and the effective date of the termination. In addition, AAA also prepares and sends a memorandum to the Department's Grants and Contracts office informing that office of the termination, the cause for the action and the effective date of the termination. If a fine has been imposed, AAA notifies the OCFO's Debt Management Group of the amount of the fine and the AAA bill number that corresponds to the fine. AAA updates PEPS to reflect the final outcome, and fine imposed, and PEPS automatically generates an AAA Bill number, which should be used by the institution to remit payment. AAA also prepares and sends via certified mail a notice to the institution reiterating the final decision and the amount of the fine that is now due, along with the bill number to be used upon payment of the fine. AAA passively monitors the payment of any fines through the finance department—there is no automated process for this. *(NOTE sometimes the fine payments are submitted directly to AAA in which case AAA is fully aware of the fine payments, and is responsible for transmitting the payments to the Debt Management Group).* The case is deactivated in PEPS when AAA enters the final outcome and date, which is the date the fine is imposed, not paid.

All notices generated by AAA, along with copies of initial and/or decisions issued by the Secretary are placed in AAA's reading file. AAA's reading file is copied into ACORDE at the end of each month.



AAA involvement with IPEDS is relatively new and the formalized process for handling IPEDS submissions is currently under review. For this reason, particular attention to the process will be discussed in this document.

The Institute for Educational Statistics (IES), which resides outside of FSA, collects IPEDS data. The group surveys institutions for demographics on student populations as well as information on faculty, student program completion, etc. The information is reported annually to Congress and, therefore, data collection is high on the Secretary's list of priorities.

When institutions sign the Program Participation Agreement (PPA), they agree to submit nine surveys using the IPEDS system over three reporting periods (fall, winter and spring) each year. Currently, no group other than AAA has administrative authority, so non-submissions of IPEDS surveys are their responsibility.

On June 1 of each year, IES forwards a listing of all institutions that are non-compliant for submission of any of the 9 IPEDS reports from the previous year to AAA and PEPS. For example, On June 1, 2003, a list of institutions that missed submission for Fall '02, Winter '02 and Spring '03 will be compiled. The list will be prioritized by the number of periods missed and will be in the form of an Excel spreadsheet.

PEPS staff cross-references the list with funding information and manually adds funding details to the spreadsheet. The expanded spreadsheet is forwarded to AAA. To limit the number of institutions to focus on, they use a \$1 million threshold. Institutions with \$1 million or more in funding will make the "first cut" and be fined. The amount of the fine is based on the size of the institution's funding level. This past fall, 224 institutions did not submit IPEDS, and 58 of those institutions have \$1 million or more in funding. AAA estimates that this reflects non-responses for the total year and anticipates initiating 60-70 fines.

PEPS staff also verifies whether an institution is still eligible and that their PPA has not expired. *Note: There is a problem with this technique, however: institutions that are on month-to-month show an expired PPA in PEPS, but have eligibility flagged. Also, sometimes eligibility is not correctly flagged due to Case Team delays. AAA is concerned about timeliness of data.*

AAA spends from June 1 through August 1 researching and preparing fine notices for all institutions that have not submitted the requested information.

AAA must research the program funding for each institution at a detailed level in PEPS. (The PEPS team supplies the total funding amount on spreadsheet.) Since funding data in PEPS must be updated with data from NSLDS, there are delays in getting current information. As of today, the funding data in PEPS is for the '01/'02 school year, not the current year. Having access to the most current funding data is necessary to accurately identify institutions that should receive fines. AAA also performs a cursory review of other actions going on with the institution to determine whether or not the fine needs to be pursued in conjunction with another action. At this point, AAA contacts the Case Team to let them know about pending fines.



*Note: Case Teams are currently not involved in this process because there are no formal guidelines for them to respond to the non-submission of IPEDS. AAA wants consistency in their treatment of these institutions and does not want to involve Case Teams until treatment is clearly defined. Although they want the Case Teams notified, they intend to take this discussion to upper management to better define Case Team responsibilities.*

Research should be accomplished no later than July 31. Once research is complete, AAA enters a 'Fine Initiated' action in PEPS. Fine notices are mailed August 1 with copies going to the Case Teams. The letter states that the institution has 20 days to either appeal or submit materials supporting mitigating circumstances, or they should remit payment to AAA within 30 days.

If no response is received, AAA updates PEPS to show the action as 'Fine Imposed,' which generates a bill number for accounts receivable. A second letter is sent to the institution imposing the fine and instructing the institution to remit payment to AAA. This letter is copied to the Case Teams and Finance. If a payment is received it is hand carried by AAA to Finance. If no payment is received after the second notification, Finance will automatically bill the institution using the billing number previously generated.

If an institution responds with materials supporting mitigating circumstances, AAA reviews the documents, and copies are given to IES and OGC. Once AAA receives input from IES and OGC, they will make a decision, and send another letter to the institution. If the institution requests a hearing, it goes through the hearing procedures documented in the AAA General Action section.

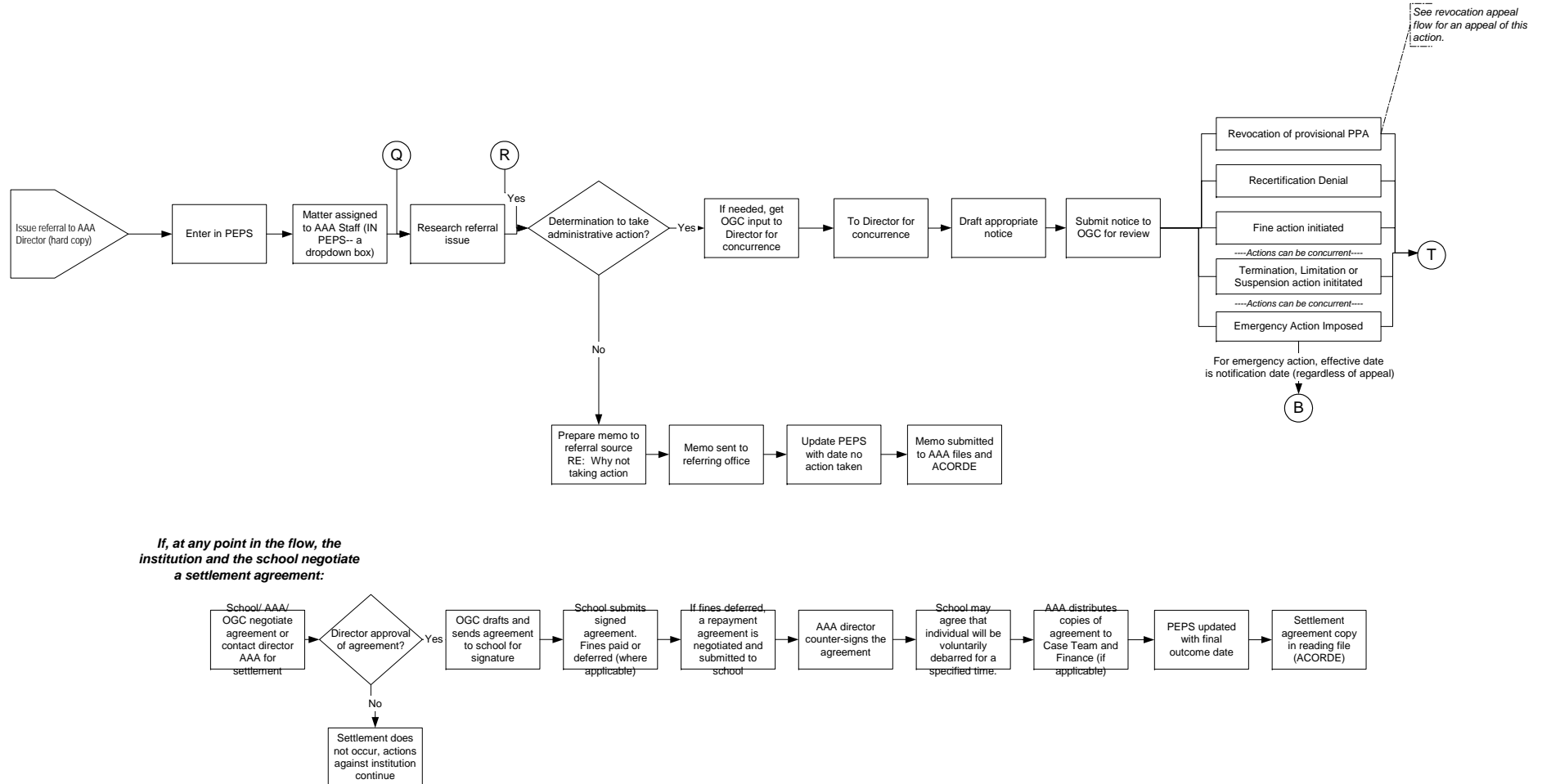
For documentation purposes, the AAA reading file is copied into ACORDE at the end of each month.

#### *Additional AAA Functions*

Reference the attached process flows for Liability Appeals, Debarments and Suspensions, Revocation Appeals, and referrals to/from other agencies. The flows are closely tied to the narrative described above. Comment boxes have been inserted to clarify any distinctions.

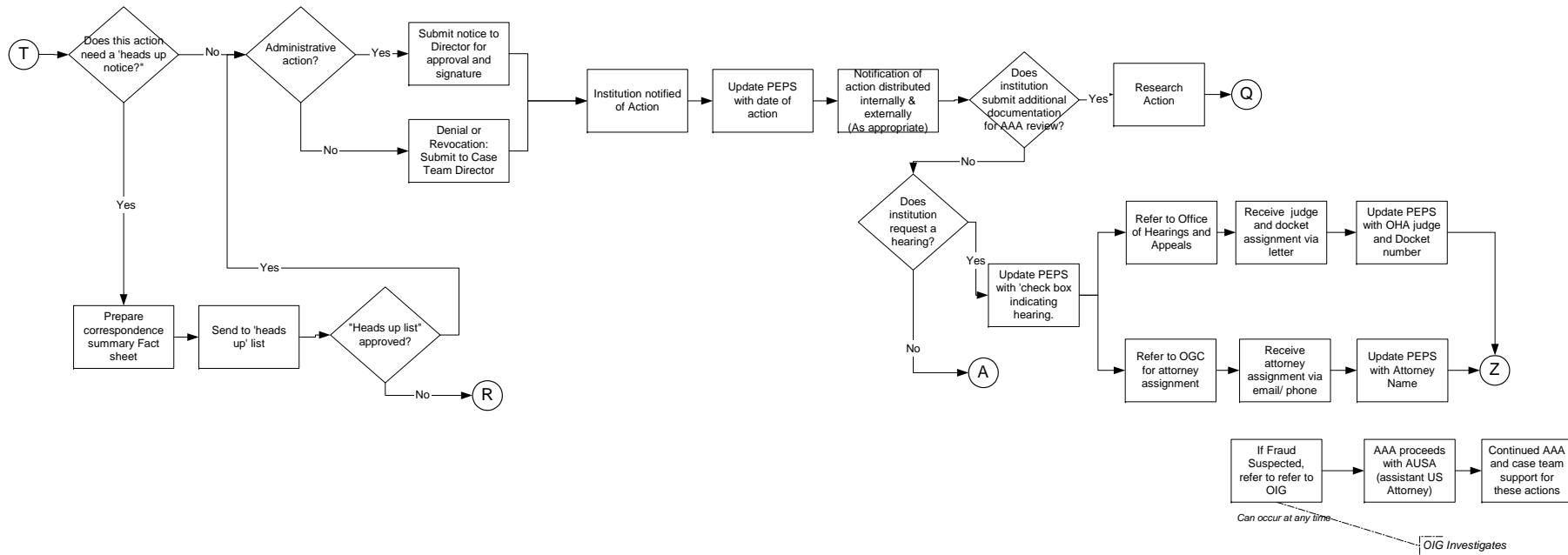


## Process Map for AAA - General Administrative Action





## Process Map for AAA - General Administrative Action (Continued)



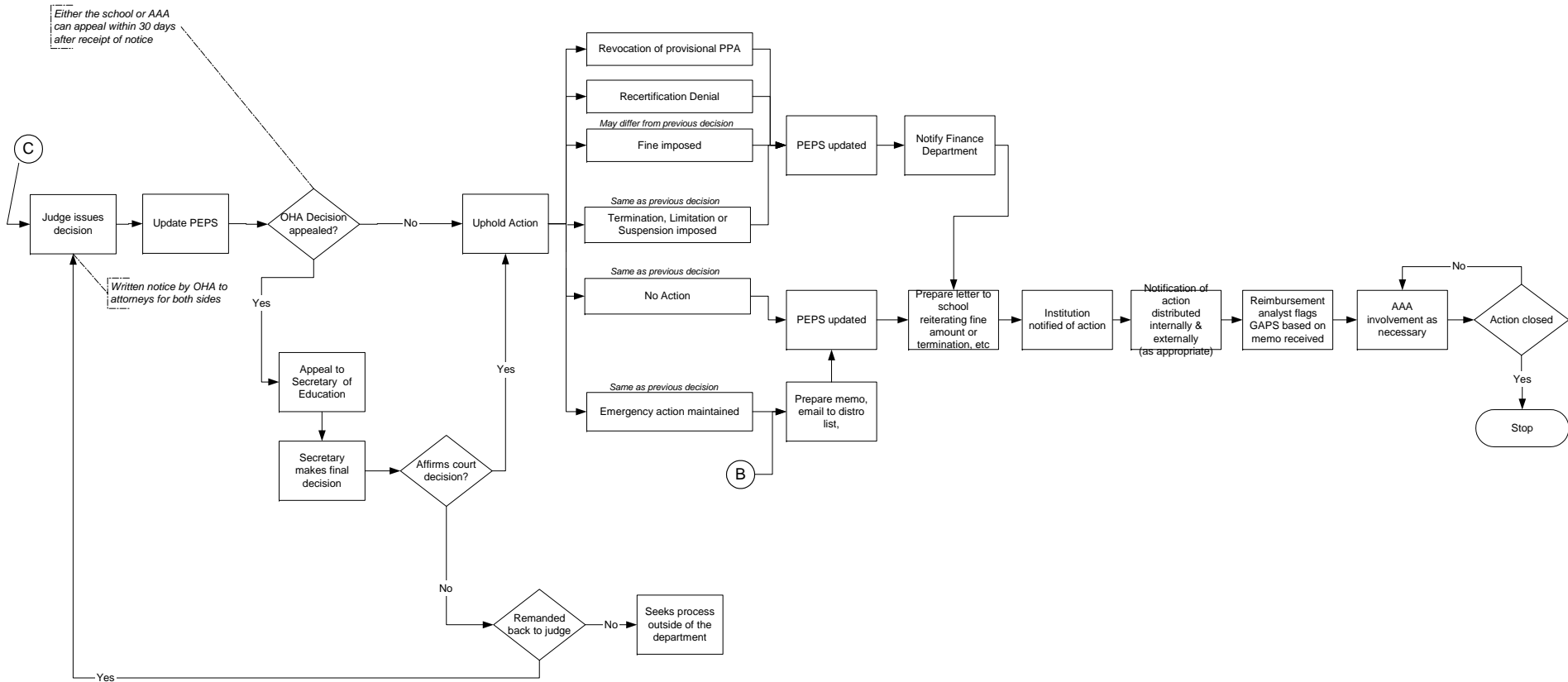


Process Map for AAA - General Administrative Action (Continued)





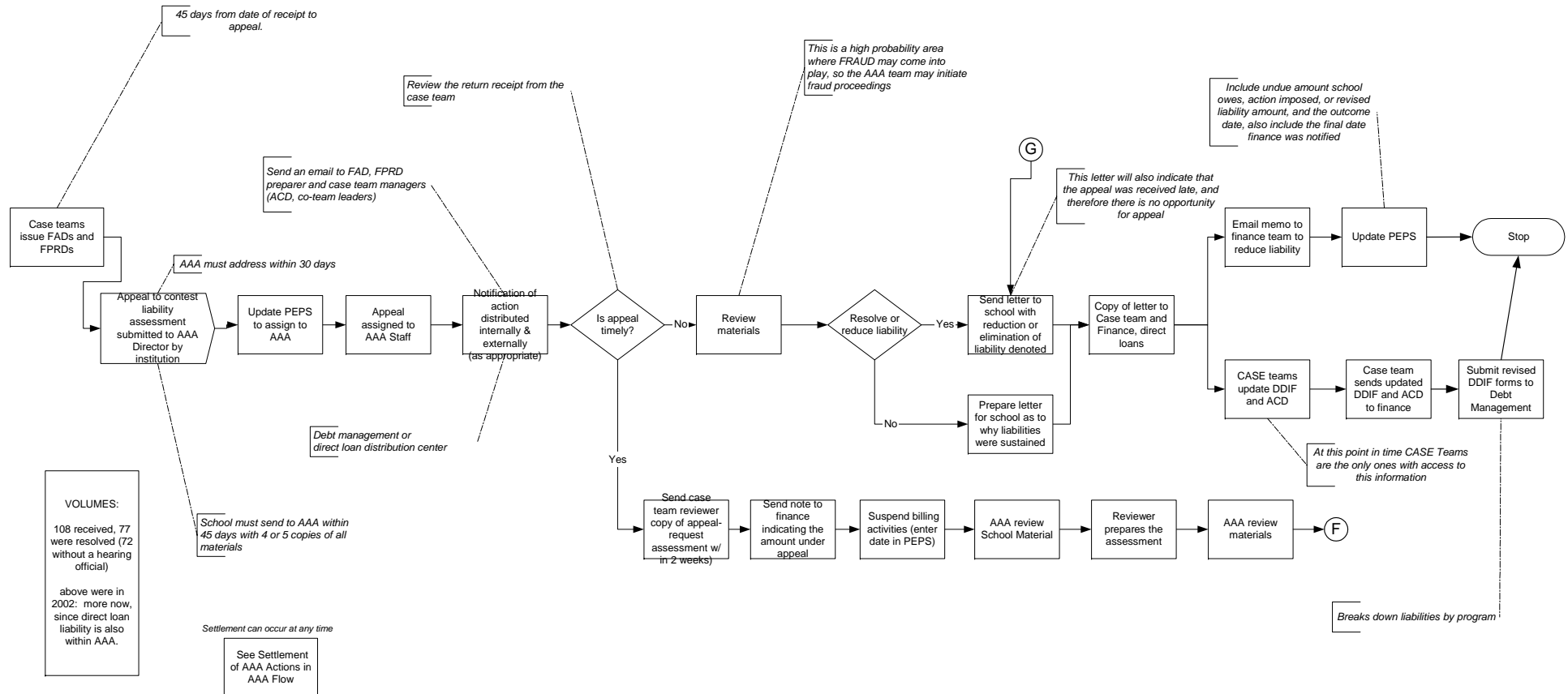
## Process Map for AAA - General Administrative Action (Continued)





## Process Map for AAA - Liability Appeals

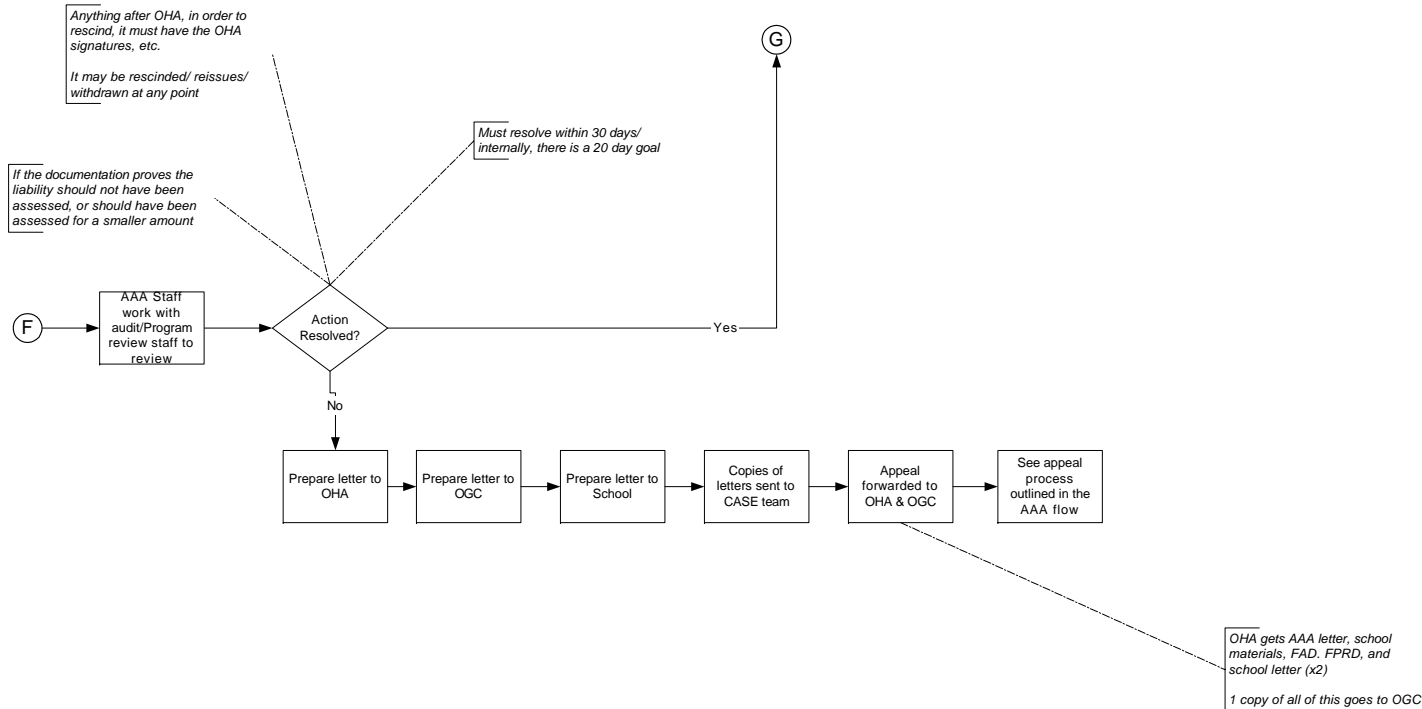
Note: AAA may rescind/ withdraw the appeal at any point





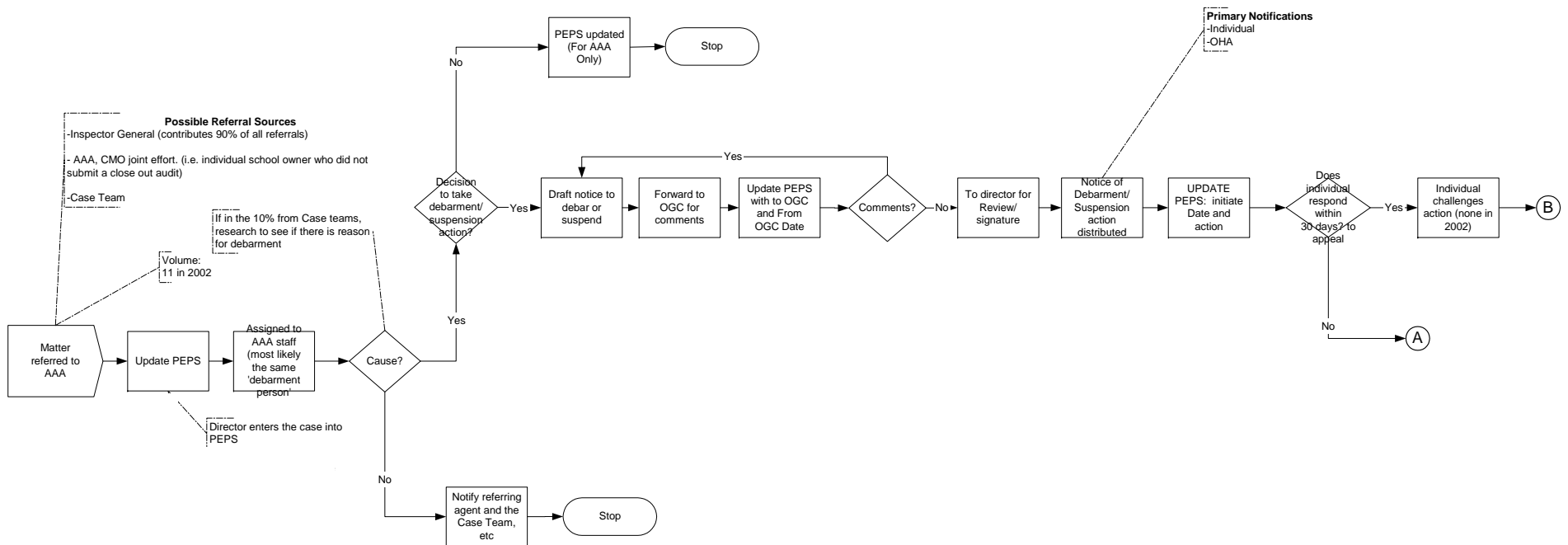


## Process Map for AAA - Liability Appeals (continued)



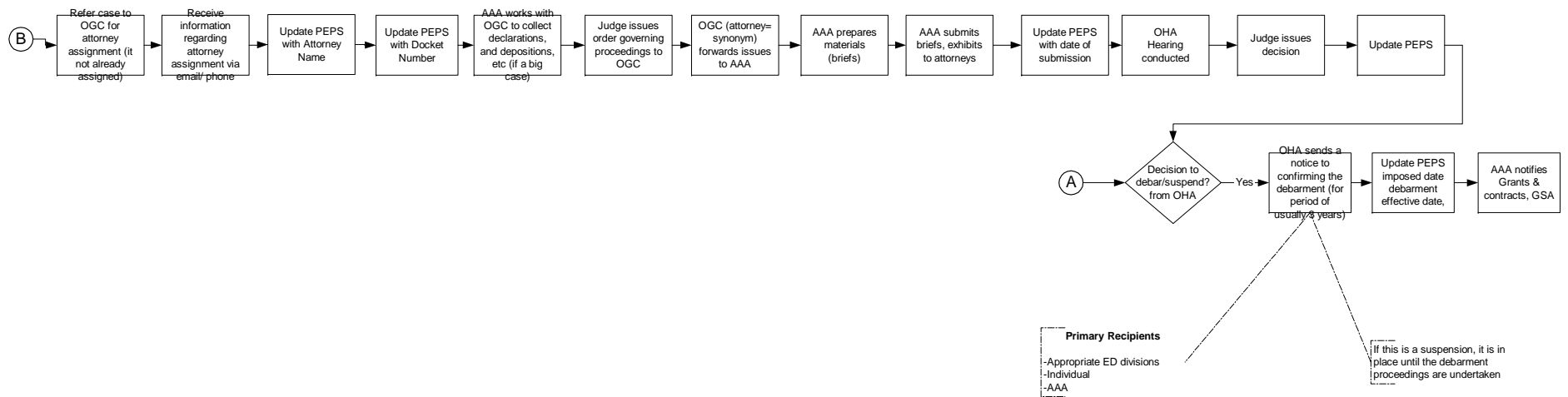


## Process Map for AAA - Debarments



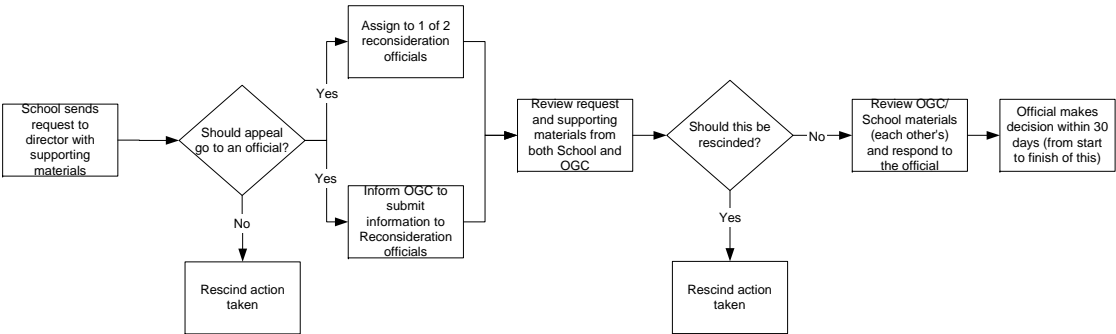


## Process Map for AAA - Debarments (Continued)



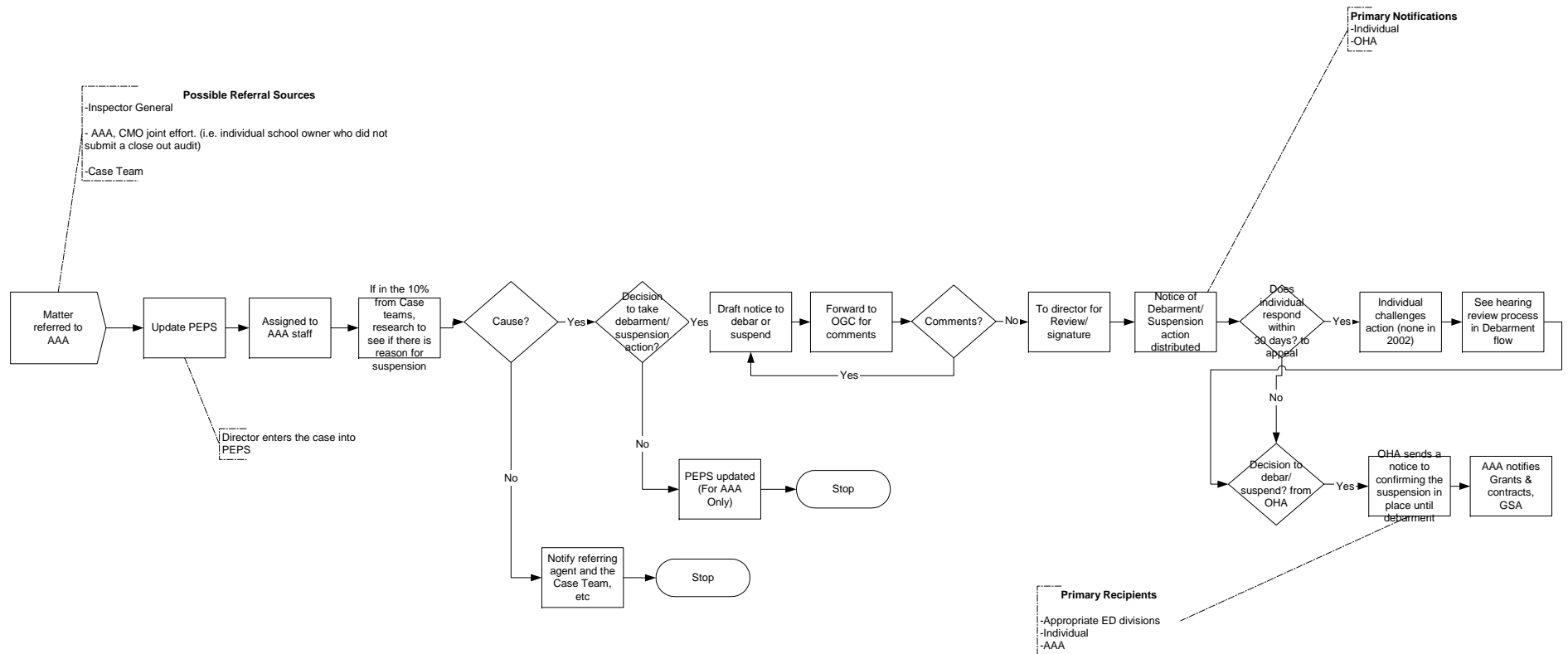


Process Map for AAA - Revocation Appeal





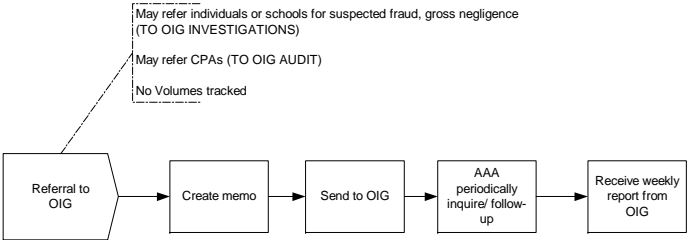
## Process Map for AAA - Suspension





Process Map for AAA - Referrals to Other Agencies

Referrals to OIG

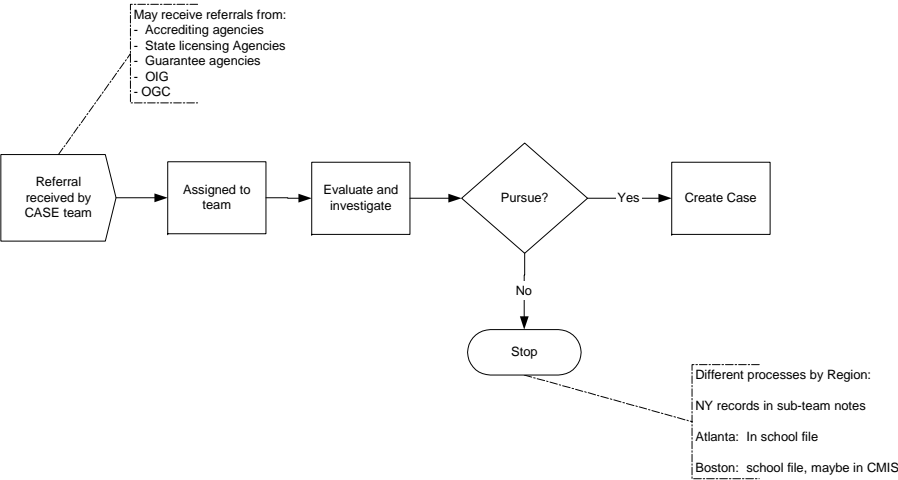


All other referrals are more casual handoffs, there is not a formal process



Process Map for AAA - Referrals From Other Agencies

Referrals to CASE TEAMS





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Correspondence summary Fact Sheet (to give alert notice)
- AAA Action notice to institution

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- None Mentioned

Listed below are key regional differences associated with this Case function.

- Not applicable

Listed below are the key deliverables of this Case function.

- Hearing exhibits (if required)





## 2.8. Financial Statements

Institutions submit their financial statements on-line via eZ-Audit. They are required to enter some financial data on-line and to attach financial statements in PDF format. The table below illustrates the types of institutions as well as the type of financial statement submissions to eZ-Audit:

| Type of submission         | Institution Type                        |   |   |
|----------------------------|---|---|---|
|                            | Public                                  | Non-profit                              | Proprietary                             |
| Annual submission          | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit |
| Initial application        | Financial Statements                    | Financial Statements                    | Financial Statements                    |
| Reinstatement              | Financial Statements                    | Financial Statements                    | Financial Statements                    |
| Closeout Audit             | -                                       | -                                       | Compliance Audit                        |
| Change in Ownership/Merger | -                                       | Financial Statements                    | Financial Statements                    |
| Change in FY end date      | Change is FY end date info              | Change is FY end date info              | Change is FY end date info              |
| Exemption/Waiver request   | Exemption request                       | Exemption request                       | Waiver request                          |
| Stub Audit                 | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit | Financial Statements & Compliance Audit |

Once the institution submits its financial statements, the system performs an edit. The edit determines if the financial statement should be flagged or non-flagged. In Fiscal Year 2002, FSA received 945 flagged and 2261 non-flagged financial statements.

Financial statements are flagged for any of the following reasons:

- Specific types of submissions
  - Initial submission
  - Change in Fiscal Year End
  - Resubmission
  - Reinstatement
  - CIO/Merger submission
- Composite score of “Fail” or “Zone”



- Specific disclosures in Notes
  - Income recognition
  - Violation of debt agreement
  - Contingent liabilities
  - Late refunds
  - ED compliance issue
  - Going concern
- Other than unqualified opinion
- Letter of Credit
- 90/10 Revenue attestation >90%
- Change in auditor

Non-flagged financial statements are automatically routed to a user with quality control rights. That user performs both a data and completeness check on the statements. If the statements are incomplete, the user contacts the institution and requests resubmission. If the statements are determined complete, the system routes them into Archive.

Flagged financial statements are routed to the Co-Team Leader queue. In the first release of the application, Case management staff implemented a practice that Co-Team Leaders would not review the statement until the quality control review was completed. After the completeness check is performed, the Co-Team Leader views the submission and assigns it to a Financial Analyst.

The financial statement is then in the queue of the Financial Analyst to whom the statement was assigned. The analyst determines the appropriate course of action on the institution.

The objective of the analysis is to determine if the institution is in compliance with financial responsibility regulations. The Financial Analyst looks at the reasons why the financial statement was flagged and validates the reasons by closely reading all parts of the financial statement. The analyst also validates all data entry elements and the composite score. The analyst may re-calculate the composite score and relevant financial ratios using the financial worksheets available in eZ-Audit. The analyst investigates any regulatory issues, paying special attention to issues such as past performance, last refund, related party transactions, long-term debt, other than unqualified opinion, 90/10 rule, allowance for doubtful accounts, deferred marketing costs and adequate disclosure.

One of the key research elements is the gathering of the funding data. The analyst collects the following funding data:

- Pell data - this data is in COD and GAPS. Data for closed award years is located in GAPS. The analyst may not always be able to collect data on full authorization for the current year in GAPS. For that information, the analyst must research COD which is not easily accessible.
- Perkins data – Federal Capital Contribution related to Perkins is in GAPS.



- Campus Based funding data – this data is in the FISAP report. There is no real-time data. Information is reliable for the closed years.
- Direct and FFEL Loan Data – this data is in NSLDS. In order to gather data for the current year, one must go to NSLDS, execute a query, and print screens.

If an analyst determines that additional information is needed, he may contact the institution and/or auditor, via Email, phone or letter, to request clarification and/or documentation. The analyst may also request information from internal offices such as PIP, DRCC, OGC, and OIG.

*Note: Case team meeting takes place during this process. Some case teams have the meeting after the determination is made*

Once the analysis is complete, the analyst makes a determination on the financial statements and selects one of the following determinations from the drop-down menu in eZ-Audit:

- Request for Letter of Credit
- Heightened-Cash Monitoring 1 (or Heightened-Cash Monitoring 2)
- Reimbursement
- AAA Referral
- Denial
- Without Condition

The Financial Analyst sends his analysis, determination and any appropriate documents to the Co-Team Leader for approval.

The following sections describe the steps for each possible determination.

### *Request for Letter of Credit*

The Co-Team Leader reviews the analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work is not accepted. If the Co-Team Leader approves the determination, a record is re-routed to the analyst.

The analyst prints the request for Letter Of Credit and has it signed by the Area Case Director (ACD) or Division Director. During this time the Financial Analyst also phones the institution and informs it about the request for Letter of Credit. The analyst then sends the LOC request to the institution and records the sent date in eZ-Audit.



The institution may challenge the request for Letter of Credit by contacting the Financial Analyst and requesting clarification on how the composite score was calculated. In some teams the Financial Analyst sends the explanation of the composite score calculation, but this practice is not consistent across all teams. Some teams set up a conference call in order to discuss the composite score calculation. If the institution still questions the determination, the analyst requests the institution's challenge in writing. Upon receipt, the analyst performs additional research and takes resolution steps as needed.

If the institution does not challenge the request, they must submit a Letter of Credit within thirty days. Sometimes, an institution requests an extension for submission of the letter. The analyst may grant an extension, and document a new due date and reason for extension in eZ-Audit. If the Letter of Credit is not received within fifteen days after the due date, the analyst refers the institution to AAA. The Analyst completes the AAA referral form (correspondence summary/fact sheet) and narrative, that are then signed by Area Case Director (ACD) and sent to the AAA adjunct (see General Administrative Actions flow within the AAA Section of this document).

Once the Letter of Credit is received, the analyst enters the relevant information in eZ-Audit. The analyst then sends the record to Archive.

(Note: Additional steps may be performed. For example, if the institution chooses the option of 50% or 10% and provisional certification, the analyst notifies an eligibility specialist to do a provisional PPA. In the case of 10% LOC, the analyst also notifies a reimbursement analyst to send a heightened-cash monitoring request letter.)

#### *Heightened-cash monitoring 1 or Heightened-cash monitoring 2*

The analyst drafts the Zone letter that includes heightened-cash monitoring information. The letter explains that the institution is being placed on Heightened-cash monitoring or it may choose to post 50% Letter of Credit. The analyst uploads the letter to the eZ-Audit system and sends the record to the Co-Team Leader for approval.

The Co-Team Leader reviews the analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work is not accepted. If the Co-Team Leader approves the determination, the record is re-routed to the analyst.

The analyst prints the letter and has it signed by the Area Case Director (ACD) or Division Director. The analyst then sends the letter to the institution and records the sent date in eZ-Audit.

The institution may challenge the analyst's determination by contacting the Financial Analyst and requesting clarification on how the composite score was calculated. The analyst sends the explanation of the composite score calculation. If the institution still challenges the determination, the analyst requests that the institution document the issues in writing. Upon receipt, the analyst performs additional research and takes resolution steps as needed.



If the institution chooses to submit a Letter of Credit, the subsequent steps are the same as described in the Request for Letter of Credit section.

If the institution makes the choice to be on Heightened-Cash Monitoring, the Financial Analyst notifies the reimbursement analyst to send appropriate notification. A record is then sent to Archive.

#### *Reimbursement*

If the Financial Analyst selects Reimbursement in the eZ-Audit system, he/she sends his/her analysis and determination to the Co-Team Leader (CTL) for approval.

The Co-Team Leader reviews the analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work is not accepted. If the Co-Team Leader approves the determination, the analyst informs the reimbursement analyst to send the appropriate notification and the record is sent to Archive.

Please, see section 2.9 on Reimbursement for more detail.

#### *Referral to AAA*

The analyst selects AAA referral in the eZ-Audit system and sends his/her analysis and determination to the Co-Team Leader for approval.

The Co-Team Leader reviews the analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work was not accepted. If the Co-Team Leader approves the determination, the analyst completes an AAA referral form (correspondence summary/fact sheet) and narrative, that are then signed by Area Case Director (ACD) and sent to the AAA adjunct. The record is sent to the Archive.

#### *Denial*

The analyst selects Denial in the eZ-Audit system, drafts a denial letter and sends his/her analysis and determination to the Co-Team Leader for approval.

The Co-Team Leader reviews the analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work was not accepted. If the Co-Team Leader approves the determination, the analyst prints out the denial letter and has it signed by the Area Case Director



or Division Director, sends the letter to the institution and updates the correspondence log in eZ-Audit. A record is sent to Archive.

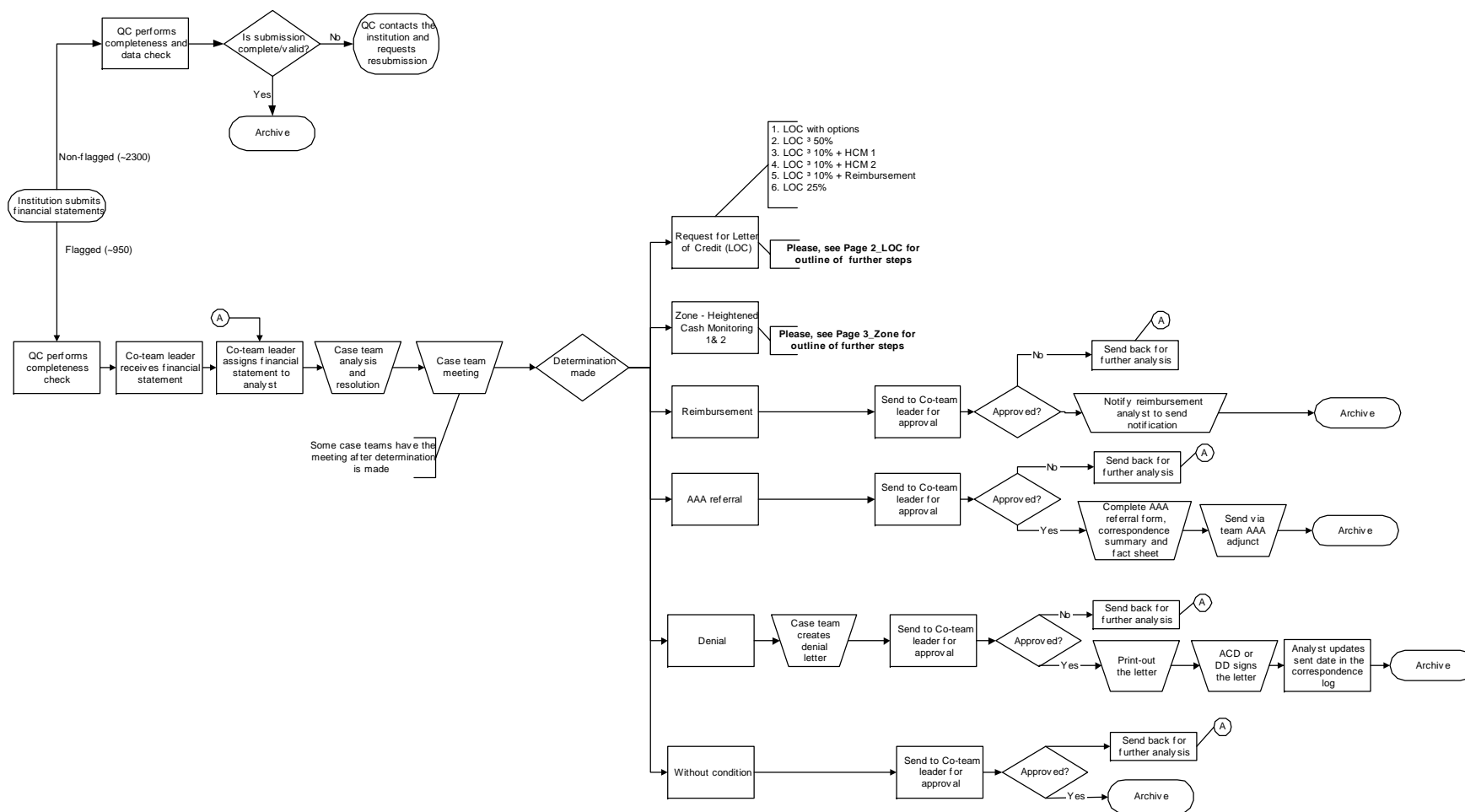
*Without Condition*

The analyst selects Without Condition in the eZ-Audit system and sends his/her analysis and determination to the Co-Team Leader for approval.

The Co-Team Leader reviews the Financial Analyst's work and determination. If the Co-Team Leader decides that changes need to be made, he/she returns the work to the analyst. The Co-Team Leader is required to enter an explanation on why the work was not accepted. If the Co-Team Leader approves the determination, a record is routed to Archive.

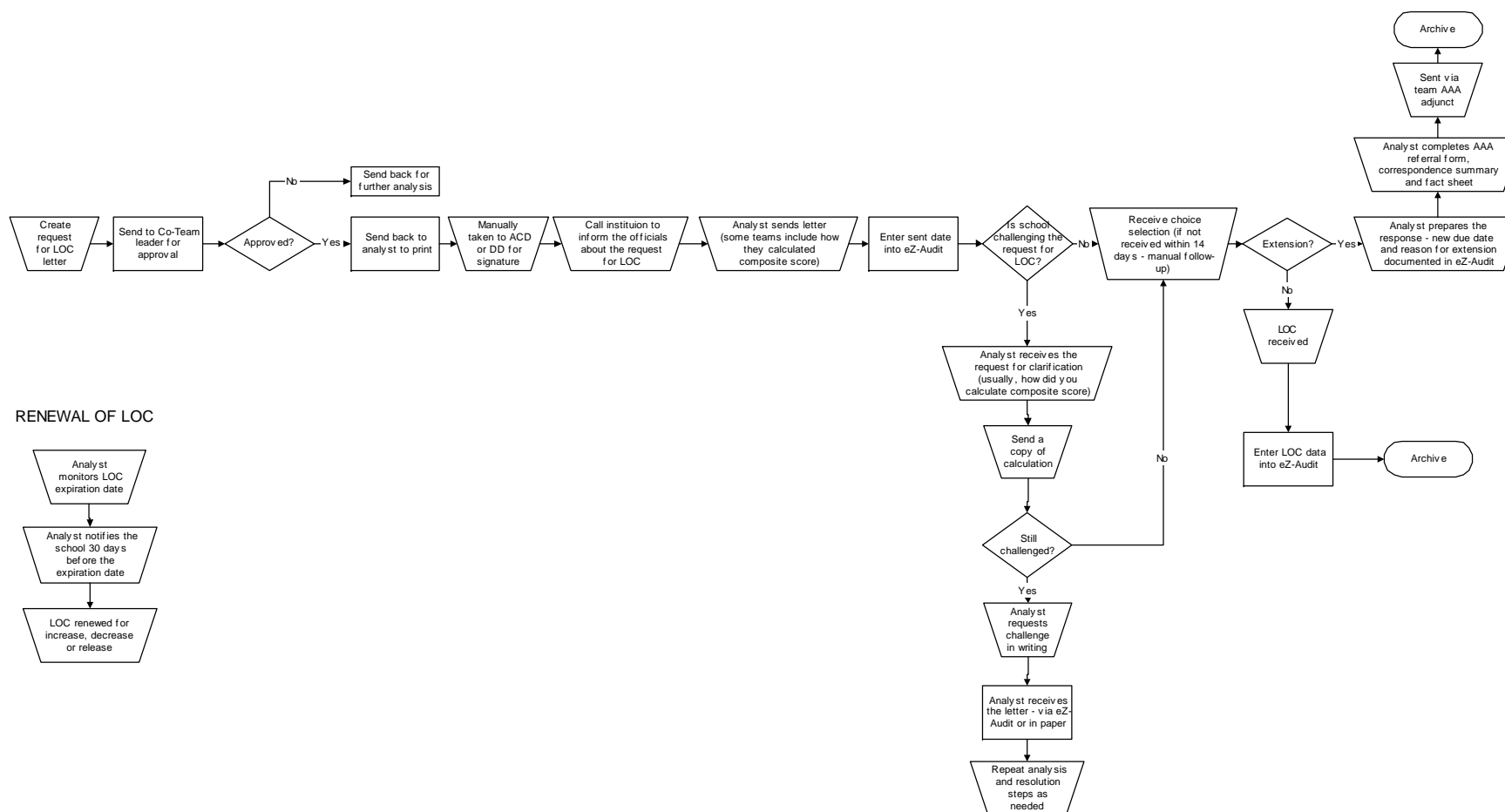


## Process Map for Financial Statements





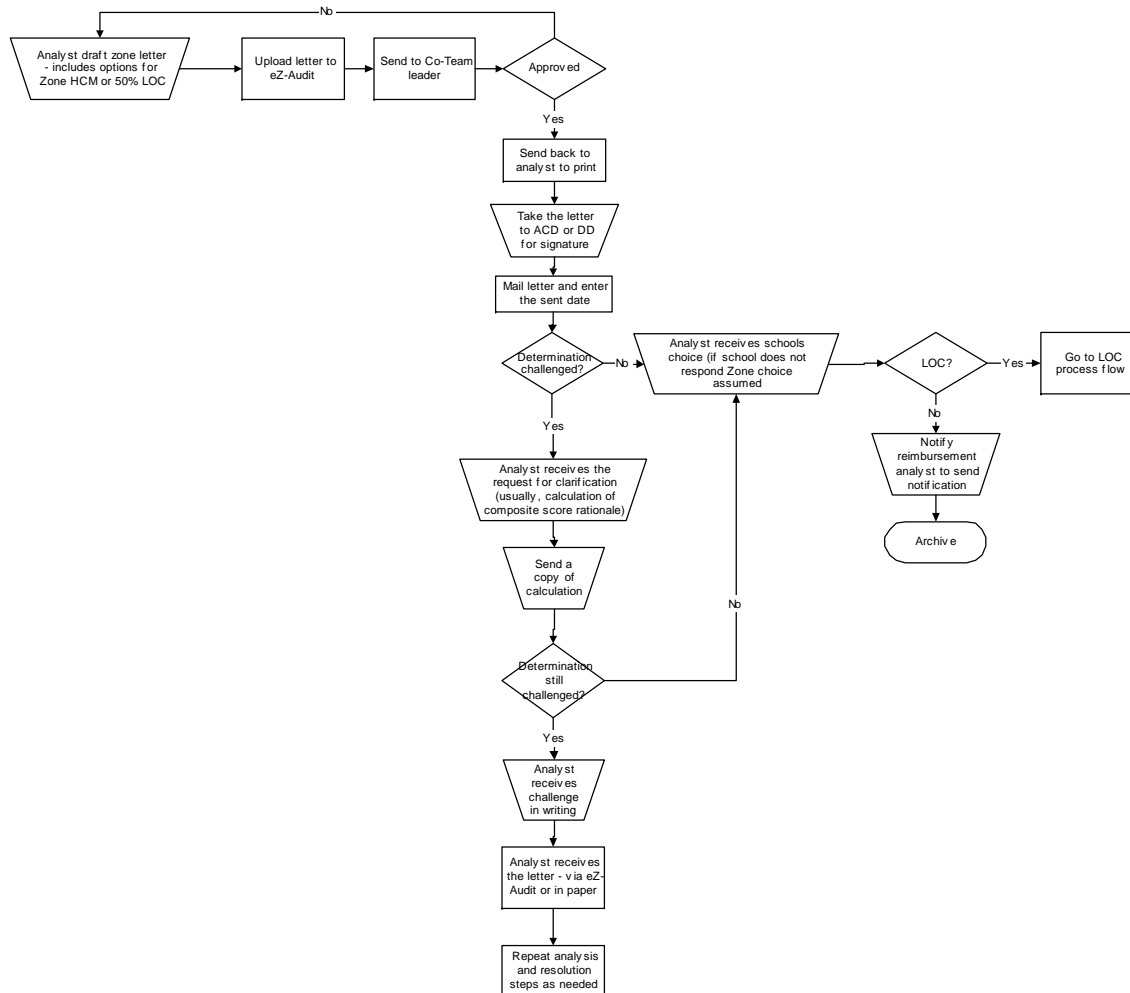
## Process Map for- Financial Statements: Letter of Credit



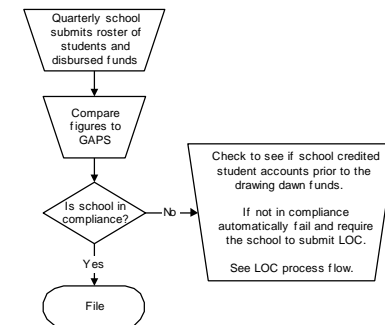




## Process Map for- Financial Statements: Zone



## MONITORING





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Request for Letter of Credit (LOC)
- Zone letter
- Denial letter
- Delinquency letter

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- PIP Procedures Memorandum 97-10, May 2, 1997  
Subject: Procedures for Review of Financial Statements
- PIP Procedures Memorandum 01-01, July 30, 2001  
Subject: Use of Long-Term Debt in calculating the Composite Score under 34 CFR 668.172, Financial Ratios.
- Institutional Eligibility and Participation 2001-2002  
Chapter 4: Financial Responsibility
- PIP Procedures Memorandum 02-01 (R-1), September 23, 2002  
Subject: Timelines for Processing Financial Responsibility Determinations
- PIP Procedures Memorandum 03-02, February 5, 2003  
Subject: PEPS Surety Screen Input and Reconciliation Procedures
- PIP Procedures Memorandum 99-02 (R-1), July 31, 2001  
Subject: Untimely Return of Title IV Letter of Credit (LOC)

Listed below are key regional differences associated with this Case function.

- Timing of team meetings  
Some teams have a team meeting before analyst makes determination on the financial statements – other teams have the meeting later in the process.
- Content of the letters such as Request for Letter of Credit and Zone Letter  
Some analysts include the explanation how they calculated composite score in the letter of Request for LOC.
- Informing the institutions about composite score calculations  
Some teams send the institutions a letter that outlines how the composite score was calculated. Other teams have conference calls where they discuss that information.



Listed below are the key deliverables of this Case function.

- Request for Letter of Credit (LOC)
- Financial Worksheets
- Zone Letter
- Denial Letter
- Delinquency Letter



## 2.9. Reimbursement

Reimbursement is a payment system for institutions that need additional monitoring, and is considered an adverse payment action that can be taken on institutions. Generally, institutions are placed on reimbursement as the result of a Program Review, financial analysis, high default rates, or audit. Institutions on reimbursement cannot draw down money without approval. Currently, there are 72 institutions on reimbursement. Institutions generally stay on reimbursement from one month to three years, although can be longer.

### *Placing an Institution on Reimbursement*

The reimbursement analyst receives a verbal notice from the specialist if there is a possibility that an institution may be placed on reimbursement. When the decision is finalized, the reimbursement analyst receives an email explaining the reason why the institution is being placed on reimbursement. This email message also contains the institution's OPE ID, Pell, DUNS, and FFEL information.

The reimbursement analyst is responsible for three major functions: system updates, internal and external communications, and communications with the institution about the reimbursement decision.

Multiple systems must be updated. For example, a flag must be set in GAPS using the DUNS number. In PEPS, the analyst also enters the following information in the "Stop Payment Monitoring" screen:

- Effective date
- Email date (notice that this institution is on reimbursement will go out to entire department)
- Method (i.e. Reimbursement)
- Reason (i.e. Program Review finding)
- Contact Information

*(Note: When any Reimbursement information is saved in PEPS, a message pops up reminding the analyst to contact AAA. PIPS draft procedures are available for this process for reference.)*

PEPS automatically creates a reimbursement notice. The analyst saves this notice to file and attaches it to an email. The email is sent to:

- Case Management contacts
  - Direct Loans
  - PIP
  - AAA
  - Co-Team Lead
  - All other supervisors
  - Entire Case Teams
  - ACD



- Accreditation agencies
- Licensing agencies

At this time some analysts may also update their personal database with the following information:

- Name of institution
- Action Taken
- DUNS Number, OPEID, Pell
- Address
- TIN
- Institution Contact
- Date institution placed on reimbursement
- Comments
- Primary Case Management Contact (person who recommended institution go on Reimbursement)

*(Note: This practice is not standardized across regions.)*

Finally, the analyst sends a form packet to the institution notifying them that they are being placed on reimbursement and explaining the reasons why. This notification is signed by the Area Case Director (ACD), and it includes attachments with instructions for requesting funds, forms that must be signed, tailored instructions on what the institution should submit, and instructions to send a spreadsheet with all students that they need paid. This package is sent via certified mail with return receipt. A copy of packet is sent to the DRCC, who is responsible for sending the document to be imaged into Acorde.

The analyst creates a paper file on the institution to hold any correspondence received. Packages with return forms arrive from institutions on a monthly basis. The Program Support Assistant (PSA) date-stamps the packet prior to placing the correspondence in the paper file.

*(Note: Regional differences exist. For example, in New York, the reimbursement analyst keeps a personal log as well.)*

*For Direct Loan and Pell ONLY*

When institutions are on reimbursement, Case Management and Oversight (CMO) must help approve Direct Loan and Pell requests. First, the reimbursement analyst receives a student list from the institution containing student names, Social Security Numbers, and amount of financial aid requested. This list is compared to data in COD.



If the list does not match the COD data, the analyst calls the institution and instructs them on how to enter or correct data in COD. Once data has been updated in the system by the institution, the “clock” starts (the date-stamp on packet is disregarded if all data is not in the system). *(Note: This may be a regional difference.)*

Next, the analyst begins the process of reviewing a sample of individual student files. A macro in Excel is used to identify a statistically valid sub-sample of students. The analyst then reviews all student files from this sample for eligibility reasons. If the review is not satisfactory, the analyst contacts the institution to request that additional documents be submitted by fax or email.

Totals by program are calculated, and data is transferred from COD to GAPS. Confirmation from the system is received within three days. GAPS then transfers money to the institution’s account.

The analyst sends a letter to the institution, including:

- Request
- Approval amounts by program
- List of students who were rejected
- Reason for rejection

The analyst must update PEPS with the following information:

- Request date
- Request amount
- Process date
- Approved amount

Some analysts also update their personal database with the same data entered in PEPS. Finally, the analyst files the package with the original institution file.

### *Removing Institutions from Reimbursement*

An institution can be removed from reimbursement for many reasons (e.g., termination action, institution closure, loss of eligibility, loss of accreditation, compliance improvement, etc.).

The analyst recommends that an institution be removed from reimbursement at a Case Team meeting. The analyst also sends an email to AAA, Pell, Direct Loan, and other program offices. All correspondence is placed in the institution’s file.

*(Note: Regional differences exist. For example, in Atlanta, the analyst goes to a manager with a recommendation. The manager decides whether it should be taken to the full Case Team.)*



The Case Team may decide to do an onsite or offsite reimbursement review (in some regions, this is done before a recommendation is taken to the team). The recommendation is discussed at the Case Team meeting for concurrence. If the team agrees with the recommendation, an email goes out to the Case Team notifying them that institution is being removed by the end of the day.

Once the decision is finalized, the analyst removes the reimbursement flag in GAPS. In PEPS, the analyst enters the removal date and reason for removal. PEPS auto-creates a notice. The analyst saves it to file, attaches it to an email, and sends the email to:

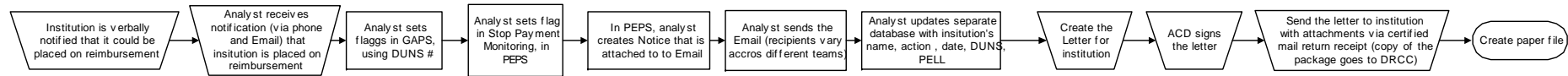
- Case Management contacts
  - Direct Loans
  - PIP
  - AAA
  - Co-Team Lead
  - All other supervisors
  - Entire Case Teams
  - ACD
- Accreditation agencies
- Licensing agencies

The analyst also updates their personal Access database and creates a letter to the institution in Word. After the letter is signed by the ACD it is sent to the institution and copied to DRCC, who is responsible for sending the document so it can be imaged into Acorde.

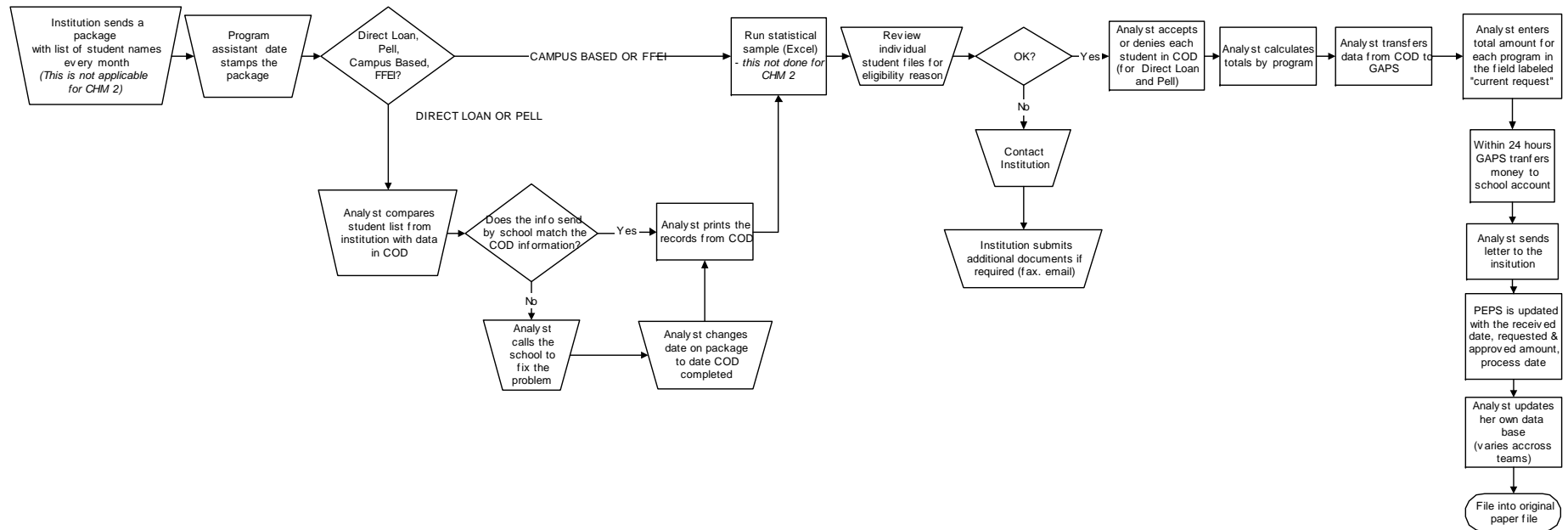


## Process Map for - Reimbursement

### Placing an institution on reimbursement



### Institution requesting funds

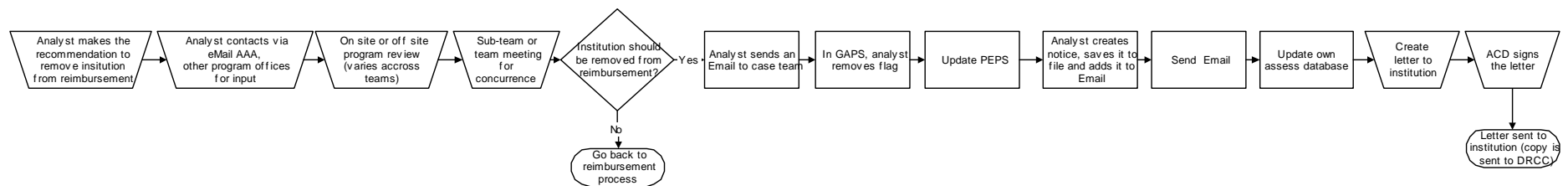






## Process Map for - Reimbursement

## Removing institution from Reimbursement





## Summary Points

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Approval Letter
- Denial Letter
- Return to Advance System of Funding Letter
- Reimbursement packets sent to the institutions

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- PIP Procedures Memorandum 97-12, June 4, 1997  
Subject: Reimbursement Procedures – FFELP Addendum to Reimbursements User's Manual
- Reimbursement and Stop Pay Procedures in PEPS - Draft

Listed below are key regional differences associated with this Case function.

- Reimbursement analysts in some teams maintain personal databases for recording the information related to Reimbursement
- Type of information institutions are required to submit in order to request funds (some institutions have to submit files with information for all students while others may submit sample list)
- Procedures for removing the institutions from Reimbursement are not consistent across all regions
- Timing of the Reimbursement Review

Listed below are the key deliverables of this Case function.

- Money released to the institutions



## **2.10. Miscellaneous Processes**

### **2.10.1. Vetting**

Vetting requests typically come from the ED Secretary, FSA COO, the White House, Congress, or other government body, wishing to be alerted to any issues concerning an institution prior to an upcoming visit or recognition letter or a message for special occasion. Requests are received throughout the year, and since they require a prompt response, are given priority over other tasks. It is not unusual for the Case Teams to have a short amount of time to gather the required information, but it solely depends on how far in advance a request is received. Moreover, there is no standardized format for requests and they are not always clear. While some may be for general information about the institution to ensure that there are no glaring issues, others may be for specific recommendations. The total annual volume of vetting requests is unknown, because the requests are not tracked by any of the offices through which they pass.

When the FSA Correspondence Office receives a vetting request, it is forwarded to the Schools Channel/CMO office. The Schools Channel/CMO notes the due date for the information, and emails the request to Direct Loan, AAA, and the appropriate Case Team. If time allows, the Case Team will perform Level One Research. At a minimum, a conversation will take place among team members to uncover any obvious issues. The speed with which a response can be formulated depends upon many factors. Some requests do not include a specific campus location or OPE ID, which the Case Team must determine prior to beginning research. There is no standardized checklist for this purpose, which means the length and depth of the process can vary by request and by Case Team. Once the process is complete, the Case Team will email a response back to the FSA Correspondence Office, with a copy to the Schools Channel/CMO office. Given the nature of vetting requests, time does not generally allow the Case Team to document their findings, or record the request for future reference.



### 2.10.2. Controlled Correspondence

The FSA Correspondence Office tracks all letters and emails it receives. When a piece of correspondence arrives, it is given a tracking number and due date, and a note is made on who should officially sign the response. If the FSA Correspondence Office receives the letter from the Office of the Secretary or the Office of Legislation and Congressional Affairs, the tracking number assigned by that office is used.

The correspondence and tracking information is forwarded to the Schools Channel/CMO office where it is assigned to the appropriate unit. If the Schools Channel/CMO determines that the correspondence has been forwarded to them in error, it is returned to the FSA Correspondence Office. Otherwise, responsibility for drafting a response is given to one or more of the following units within the Schools Channel, based on the issue.

- Direct Loan
- AAA
- PIP
- Case Teams
- Default Management
- Closed School Unit
- Foreign Institutions
- Title IV Delivery

Depending on the length of time it takes for the request to be forwarded, the unit may have only minimal time to craft a response, coordinating with other units as needed. Once the response has been prepared and sent, either by letter or email, a copy is sent to the Schools Channel/CMO correspondence office. The Schools Channel/CMO keeps a copy and updates their Excel spreadsheet for tracking the completion of the task and forwards a copy of the response to the FSA Correspondence Office.

If the letter requires a signature from another office, the unit will forward the information for preparing the letter to the Schools Channel/CMO office, and from there it is forwarded to the appropriate office for signature. The Schools Channel/CMO keeps a copy of the signed response then updates their Excel spreadsheet for tracking the completion of the task and forwards a copy of the signed response to the FSA Correspondence Office.

FSA Correspondence Office tracks all draft and final IG audits and any correspondence relating to IG audits it receives. When any piece of correspondence relating to IG audits arrives, it is given a tracking number and due date.

The correspondence and tracking information is forwarded to the Schools Channel / CMO correspondence office where it is assigned to DMA. DMA reviews correspondence. If it is pertaining to a final IG audit, it enters the audit in PEPS, then forwards the audit to the appropriate Case Team.



DMA then decontrols correspondence by notifying FSA and CMO correspondence offices. Any correspondence pertaining to a draft IG audit is forwarded to the appropriate Case Team. The correspondence is then decontrolled by notifying FSA and CMO correspondence offices. A copy of all IG audits is given to DRCC, who is responsible for sending documents so they can be imaged into Acorde.



### **2.10.3. Freedom of Information Act Requests**

When the FOIA Office receives a Freedom of Information Act (FOIA) request, it is assigned a number and a due date. The FOIA Office forwards the request to the Schools Channel/CMO, and from there it is forwarded on to the appropriate unit. The unit searches institution files and system records for information related to the request and reports all findings back to the Schools Channel/CMO. If the unit does not have the information, the Schools Channel/CMO will send the request to another office. If the unit does have the information, they will forward all documentation to the Schools Channel/CMO, noting any information that may require redaction. Some units also send a record of their time spent researching the issue and any copy costs. The Schools Channel/CMO makes a copy of the documentation, which is filed and retained for two years. The FOIA Request along with the documentation is forwarded back to the FOIA Office.



#### **2.10.4. Student Complaints**

Student complaints are received through a variety of channels. Many come to the 1-800-4-FEDAID number and are directed from there to the Case Teams. Others reach the Case Teams directly, or are forwarded from Case Management in D.C., the OIG, state education departments, accrediting agencies, the National Center on Education Statistics, or the FSA Ombudsman. When complaints are forwarded to a Case Team, they are typically directed to a Co-Team Leader. Assignments within the team vary by region. While some teams have a single point of contact for every institution, others work in sub-teams, or distribute work based on issue type.

Once the complaint has been assigned, the team will get in touch with the student if contact information has been provided. If the team cannot offer the student an immediate response to their concern, they will ask for further details and continue researching the issue. The team may contact the institution or guarantee agency, and review information in CMIS and PEPS. A response, either by phone or letter, is then provided. If the student has further questions or information that requires additional review, the team will complete this research and contact the student with another response. Once all issues and questions have been addressed, the information is shown to the Co-Team Leader. If the complaint has surfaced a serious problem, the Case Team may initiate a Program Review or refer the issue to the OIG. Otherwise, the findings will be recorded in CMIS or Excel, or filed away.



### 2.10.5. Experimental Sites

The Experimental Sites Initiative was designed with the goal of encouraging institutions to test different alternatives to carry out the intent of certain Title IV statutory and regulatory requirements and provide the Department with data to help make changes in the administration of the student aid programs. The Initiative allows the institutions to design alternatives to a problem of interest to them and their student population. If approved, they are exempt from specific requirements in the statute and regulations.

Although the Experimental Sites Initiative is open to all types of institutions, a relatively small number participate. Currently, there are about 120 participating institutions. The majority are large public institutions with an average default rate of 5.9 per cent. The Performance and Accountability Improvement (PAI) office received several proposals for the Initiative in the past five years, but are in a "holding" mode for additional experiments.

When an institution decides to become an experimental site, the institution submits its proposal to PAI. The proposal should consist of a description of the problem, the proposed solution, the performance measures, and the area in which the institution requests an exemption from the statute and regulation. Proposals are most commonly received in the form paper and more recently drafts of proposals have been accepted as an e-mail message. All originals of the proposals are filed in the institution's paper folder.

For the proposal to be approved, the institution and the proposal must pass several very detailed reviews.

First, a member of the PAI staff reviews the institution's history related to compliance, financial health, default rates, and administrative capabilities. During this review process (which takes approximately two weeks), a PAI staff member researches the information available in PEPS and communicates with Case Teams, OIG and the Office of Accounts Receivables.

The next level of review is performed by PAI staff and the Experimental Sites Committee, which consists of representatives from FSA, OPE, OGC and the Budget Office. PAI staff and the Experimental Sites Committee review the institutions' proposal for its completeness and merits. The review of the proposal may involve several meetings and discussions, especially if the PAI has to request additional information from the institution. Once the proposal is considered complete, PAI staff and the Committee meet to discuss the merits of the proposal and make the decision as to whether to approve, modify or disapprove the proposal, . The minutes from the meetings are used as an input for the PPA Amendment.

If the proposal is accepted, PAI staff communicates that to the Case Management Director, and the General Manager for concurrence. A paper copy of the notification is kept on file.

At the same time, the Budget Office is contacted for a cost analysis of the proposal. PAI staff writes a message describing all the details related to the proposal and sends it to the Budget office. The Budget office reviews the information and informs PAI of the budget implications related to the





proposal -- that conducting the experiment is of no financial harm to the Department. The final step in the process is for the Department to consult with Congress (formally or informally) on the new experiment.

ED's Office of Congressional and Legislative Affairs (OCLA) will initiate informing Congress of the proposed experiment. After securing the approval by Congress, the PAI staff sends the welcome letter and PPA Amendment to the institution and saves copies in the institution's paper file. The institution's official signs the PPA Amendment and sends it back to the PAI office. The Division Director countersigns the PPA Amendment. *(Note: The original is sent to the DRCC, a copy is kept on file, and a copy is sent to the institution).* The PAI staff enters the experiment's description and start date in PEPS and works with the author of the proposal and others to develop the report format (i.e., creates a template that outlines the data the institution is required to submit).

Institutions participating in the Experimental Sites Initiative are required to submit annual reports on the progress of the experiments. All annual reports are due on November 1<sup>st</sup>. Reports submitted by the institutions are forwarded to the contactor, who analyzes the data and sends the results to the PAI office. Participation monitoring for institutions with experiments consists of annual reports, technical assistance, as needed, and answering of any relevant questions the institution may have.

When the PPA Amendment end date is reached, the PAI staff notifies the Case Management Director, General Manager's office, OPE and PEPS. PAI staff also updates PEPS with the experiment end date.

*(Note: During the process described above, the institution may be denied participation in the Experimental Site Initiative for a number of reasons (ineligible institution, unacceptable proposal, negative cost analysis, etc.). Then, the PAI staff sends a Denial Letter to the institution and places a copy of the letter into the institution's paper file.)*

### Summary Points for Experimental Sites

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Letter acknowledging receipt of the proposal
- Denial letter – Letter declining the proposal
- Welcome letter – Letter accepting the proposal
- 1<sup>st</sup> extension letter
- 2<sup>nd</sup> extension letter
- Letter confirming institution's withdrawal from experiments

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- Reporting Formats for Experimental Sites Initiatives



Listed below are key regional differences associated with this Case function.

- None mentioned

Listed below are the key deliverables of this Case function.

- None mentioned



### 2.10.6. Quality Assurance

Institutions participating in the Quality Assurance (QA) Program are granted regulatory flexibility related to the process of verification. This allows them to perform their own authentication process to assure students have reported true financial information on financial aid applications. There are currently 150 institutions participating in the QA Program. All types of institutions are eligible for this program, but most of the current participants are large public and private institutions.

Invitations for QA Program participation are distributed to institutions via FEDREG. When an institution decides to apply, they send a letter or email request to the Performance and Accountability Improvement unit (PAI). (There is no formal application form.) All application letters received by PAI are copied and stored in a paper school file.

To determine the institution's acceptance into the program, PAI staff will contact the appropriate Case Team to request information about the institution's history and current situation. Generally, the institution must clear certain criteria in order to qualify:

- The institution must be a Title IV participant.
- The institution must not be on reimbursement.
- The institution must not be subject to emergency action.
- The institution must have a default rate of less than 25% for at least one of the three most recent fiscal years.
- The institution must be financially responsible.
- The institution must have submitted all reports that were due in the last 12 months, including compliance audit and financial statements.
- The institution must not have any severe program review or audit findings.
- 
- The institution must not have had any material findings in financial statements for the three most recent years.
- The institution must not have any delinquent outstanding debts to the Federal Government.

(PAI can research these items in PEPS and CMONet. The case teams confirm or provided additional information regarding the findings reported by PAI. Once the review has been completed, PAI staff contacts OIG via email to request their clearance. (OIG might have information about a current investigation related to the institution or its staff of which PAI is unaware.) If the institution is ineligible for the QA Program, they are denied participation and receive a denial letter with an explanation. If the institution is eligible for the QA Program, PAI staff sends the institution a "Welcome to the Program" letter and PPA amendment. The PPA amendment does not specify an expiration date and remains in effect until either the Secretary issues a new one, or the institution withdraws or is removed from the program. Copies of both the letter and PPA amendment are stored in the institution's paper file.



The PPA amendment is signed by institution officials and mailed back to PAI. Signed PPA amendments are forwarded to the Case Mgmt. Division Director who countersigns the amendment. The original is sent to the DRCC, and a copy is sent to the institution and a copy is kept in PAI's files. At this point, PAI staff record the Begin Date of the institution's QA Program participation in PEPS. No other information related to QA Program participation is stored in PEPS.

Once an institution has been accepted into the QA Program, PAI provides them with technical assistance and is available to answer any questions.

As previously noted, a PPA amendment will not expire unless the institution withdraws or is removed from the program, or the Secretary issues new PPA amendments. If any of these instances occur, PAI notifies the Case Team and the Institution via letter and updates PEPS with the QA Program participation end date

### **Summary Points for Quality Assurance**

Listed below is key correspondence created as a result of this Case function. Reference Appendix B for specific examples..

- Welcome letter
- Denial letter
- Withdrawal acceptance letter (confirming institution's withdrawal from the QA Program)

Listed below are the key Performance and Improvement Procedures (PIP) referenced by Case Teams to perform this function.

- None mentioned

Listed below are key regional differences associated with this Case function.

- None mentioned

Listed below are the key deliverables of this Case function.

- None mentioned



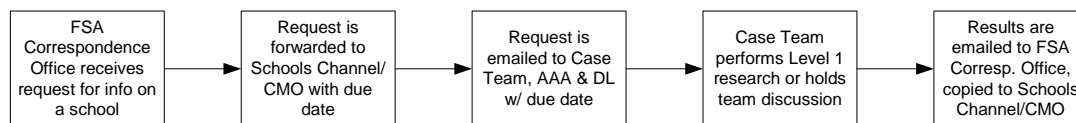
### **2.10.7. Distance Education**

Distance education is defined as “any mode of instruction where there is a separation of time or space between the instructor and student.” The Department of Education is currently sponsoring a congressionally mandated pilot project that involves waivers for approximately 50 institutions to offer financial aid for distance learning beyond the normal regulated levels. The technical assistance staff may be responsible for monitoring the pilot program institutions in their region, as well as providing guidance to those institutions still bound by the standard regulatory limits; however, based on team workloads, this task may be assigned to other resources based on region. The Case Teams are responsible providing information for the OPE reports that demonstrate the ability to monitor distance education. Site visit information and all other relevant activities are recorded in the PEPS Technical Assistance module. Meetings and discussions about the pilot program institutions take place at least annually to exchange findings, issues, and next steps. Yet with the overall growth in distance education offerings, the Case Teams do not have adequate means to monitor compliance of all non-pilot program institutions.

*(Note: See Section 2.3 for a detailed discussion on the Technical Assistance Program)*

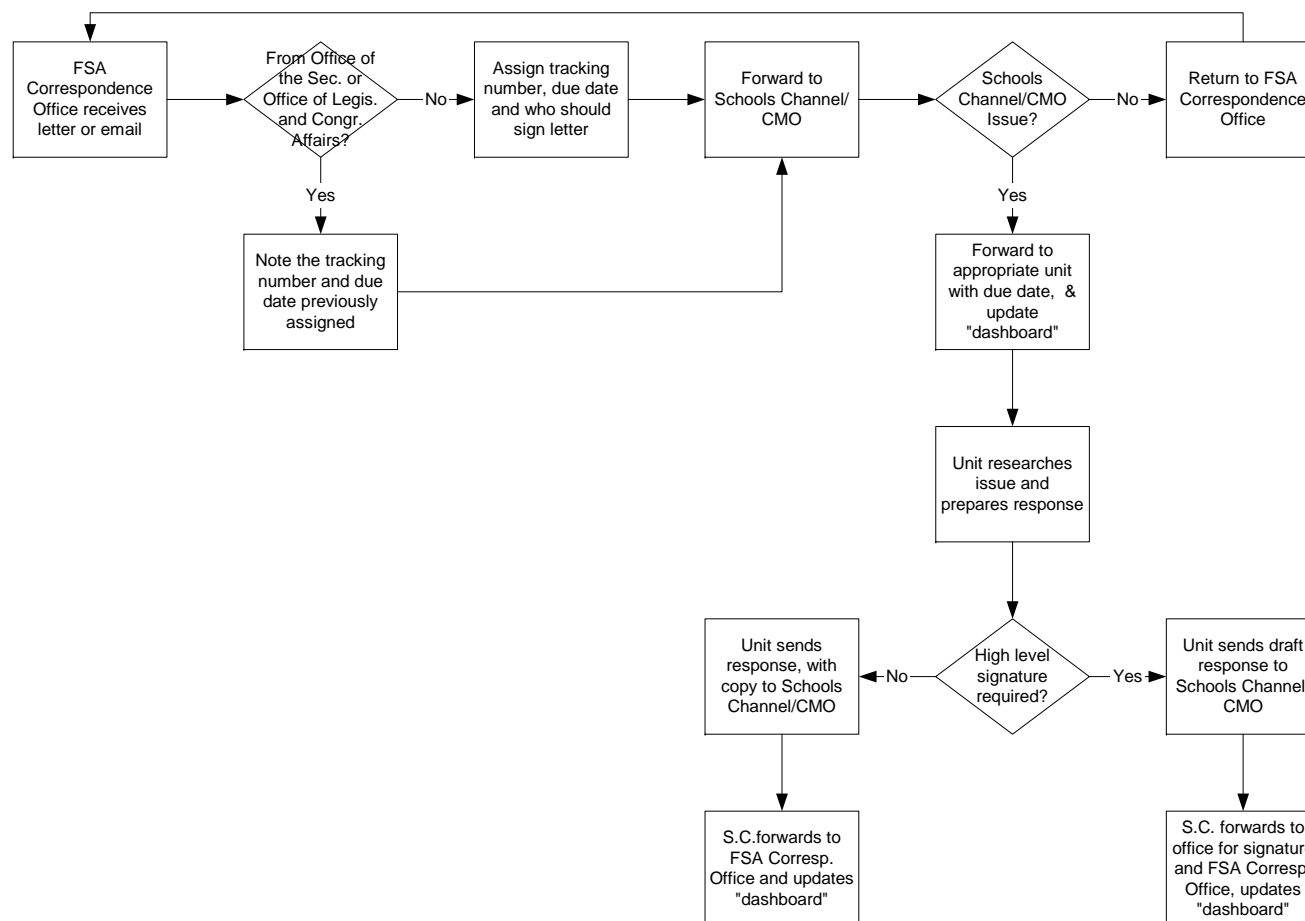


## Process Map for Vetting



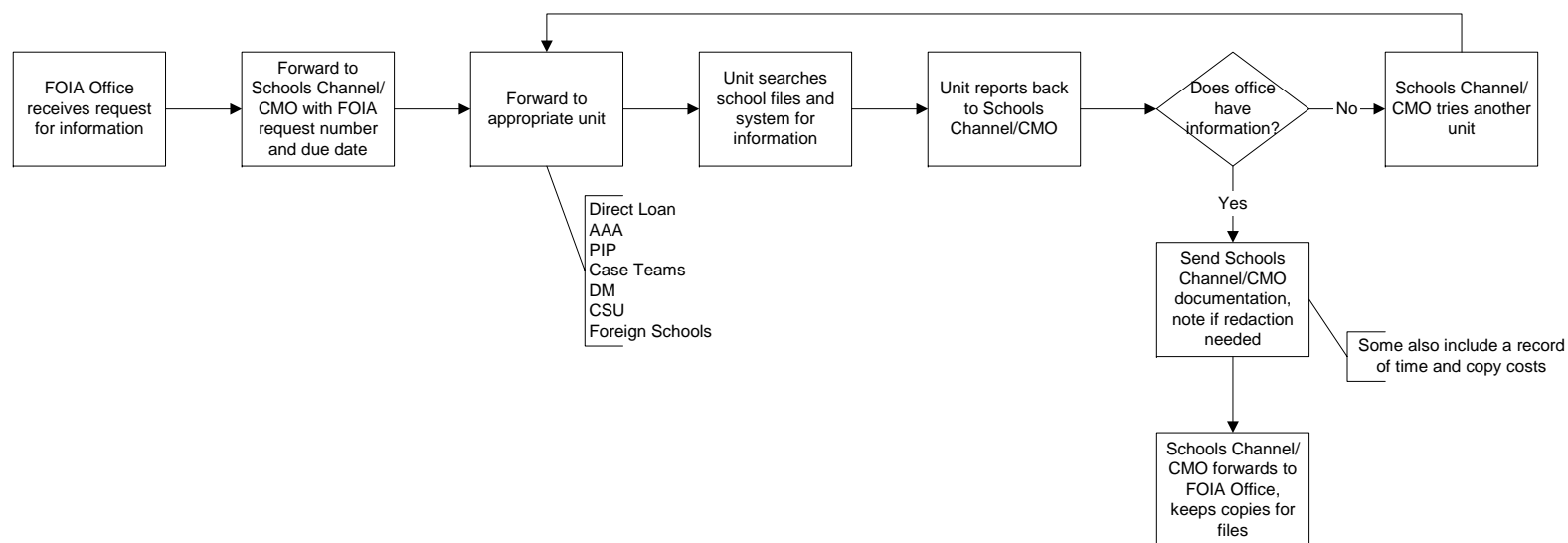


## Process Map for Controlled Correspondence





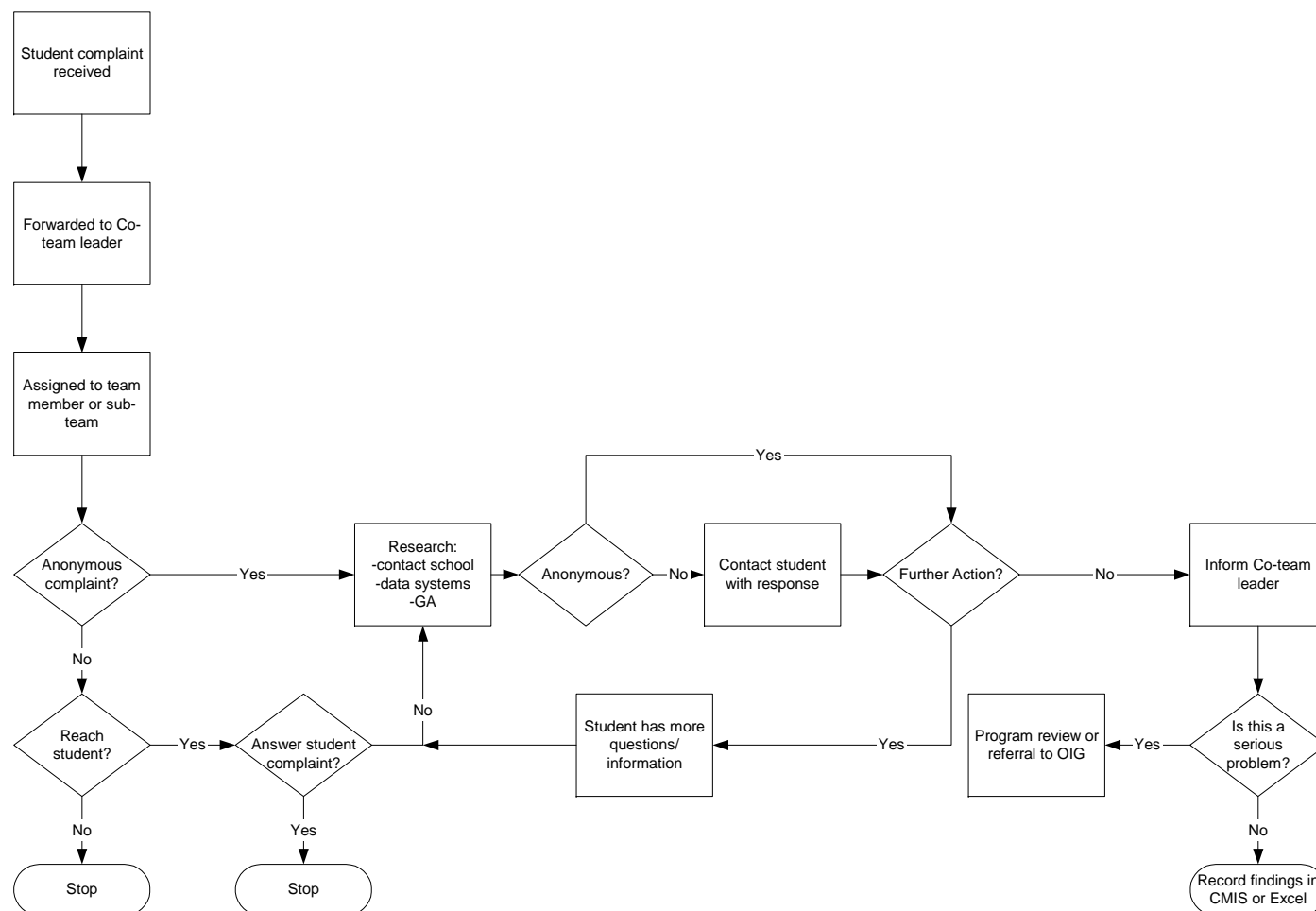
## Process Map for FOIA Requests





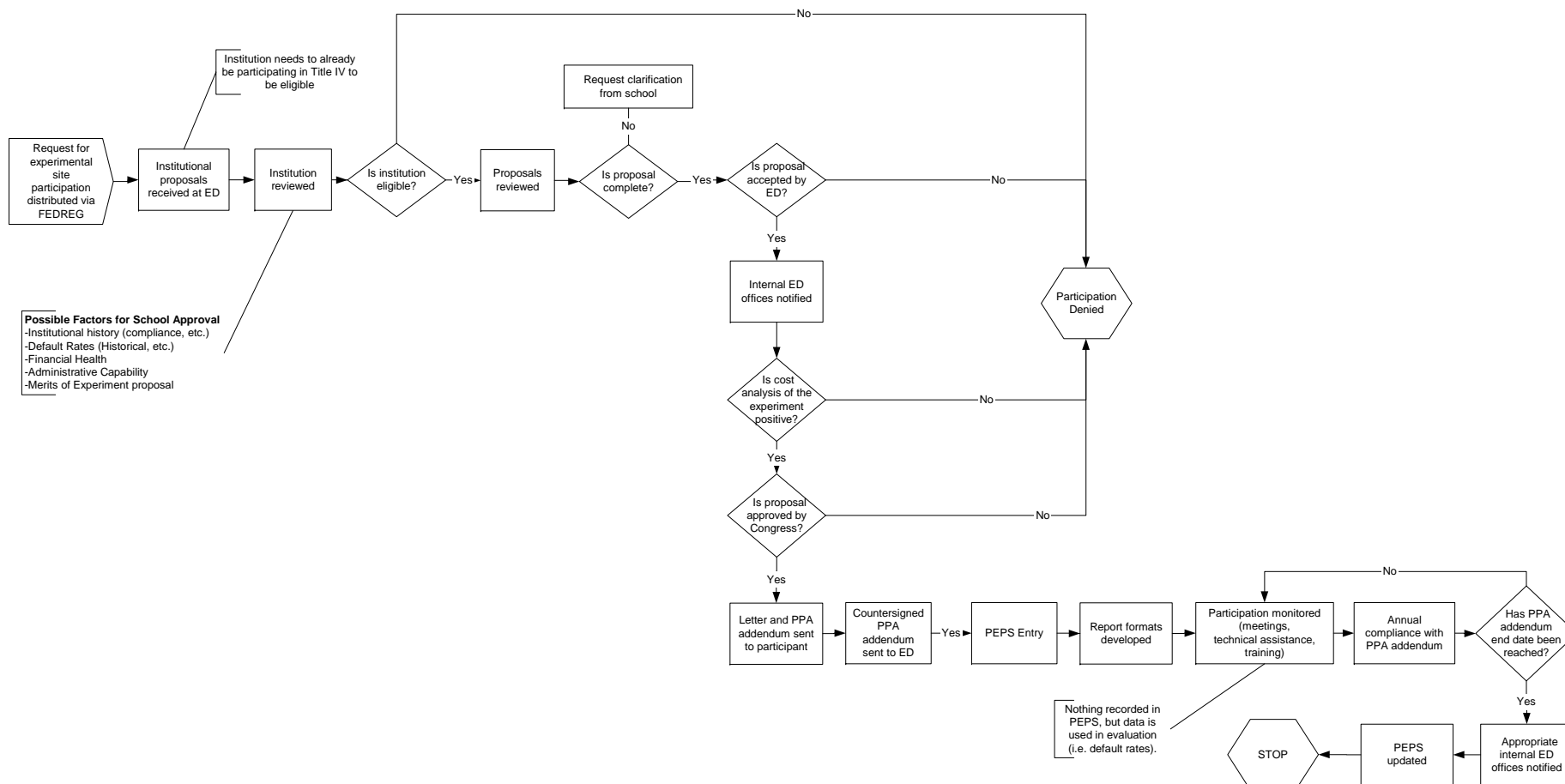


## Process Map for Student Complaints



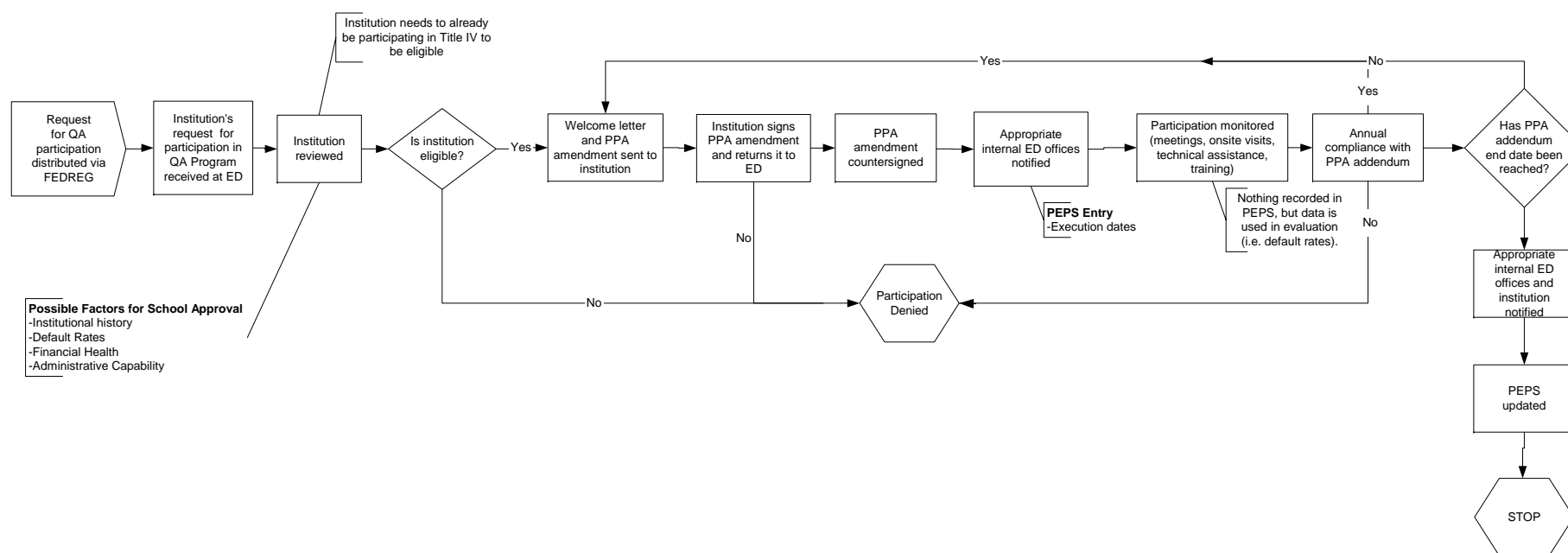


## Process Map for Experimental Sites





## Process Map for Quality Assurance Program





### 3. Conceptual Design

#### 3.1. Overview

Upon completion of the effort to understand and document the current core Case Management processes, an effort was launched to develop a high-level conceptual design for an enhanced Case Management process model. In a series of meetings with CMO management, the team garnered input regarding management's key objectives and guiding principles for an improved case decision-making process to address many of the issues and problems that exist in the current environment. This conceptual design will serve as the framework for all target state discussions held in the next phase of the project.

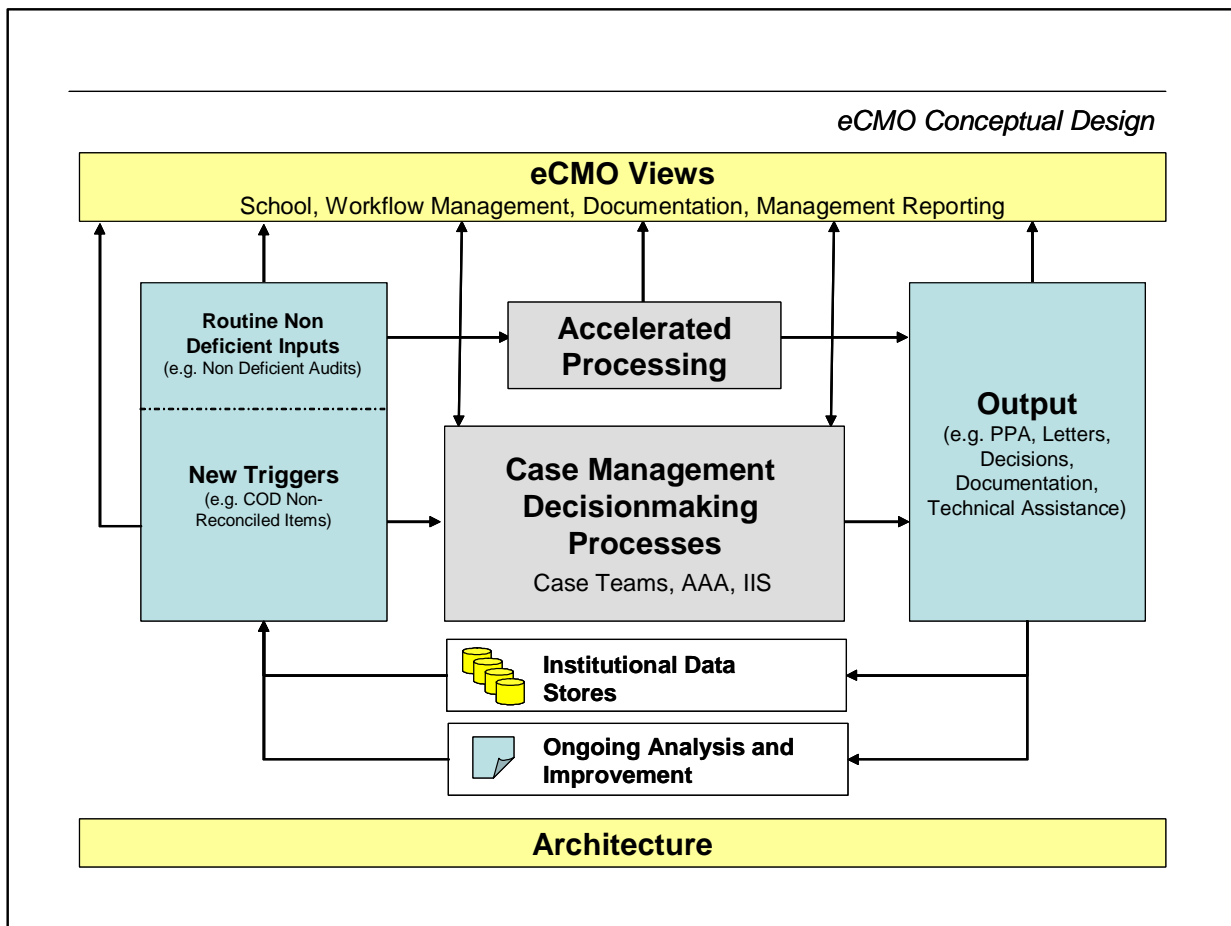
The conceptual design for an enhanced Case Management process model is grounded in the current IPOS Case Management process model. The new model will continue to utilize the sub-team / full team concept to execute case research and decision-making activities, but outlines plans for enhancements to build upon and improve the existing model.

There are two levels to the conceptual design. The first level depicts the conceptual design for a new holistic 'school view' approach that allows for continuous monitoring of a school's compliance over time. The second level illustrates the conceptual design for an enhanced case team decision making process to address those schools identified as requiring case team intervention.

Following is a discussion of the multi-level conceptual design for an enhanced case decision-making process. The flow charts provide an overview of the vision for the new model. The subsequent narratives explain in more detail the changes desired for each component in the enhanced process model. At this point in the project, these are desired changes only. Further definition of these changes (performed in the Target State task), and analysis of the costs / benefits of and barriers to implementation of these changes (performed in the Sequencing Plan task) will determine whether these desired changes can be brought to fruition.



## Level One: The New School View – Continuous Compliance Monitoring



The mission of Case Management is to protect students and, by extension, taxpayer dollars. Students are protected when schools are capable of becoming eligible for Title IV programs, and remaining eligible through compliance with Title IV regulations. Therefore, the primary goal of Case Management is to effectively identify schools in non-compliance with Title IV regulations, and to take action to successfully bring those schools back into compliance through assistance and/or punitive action. The eCMO first level conceptual design contains three components to assist Case Management in reaching this goal.

### Improved Identification of School Non-compliance and Resulting Triggers for Action

CMO feels that the '80 / 20 rule' applies to their school population. That is, a high percentage of the school population historically has few or no compliance issues, while a lower percentage of the school population has moderate to significant compliance issues. One CMO objective is to focus most of its resources on the low percentage of poorly-performing schools and less time on the higher percentage of well-performing schools. The key to achieving this objective is to develop a more timely, effective way to identify schools in non-compliance.



The proposed level one conceptual design model introduces the concept of the continuous 'school view' as a way to better identify at-risk schools. The school view would continuously access all relevant data available for a school, including funding and student level data in systems outside CMO, looking for indicators of compliance issues. Examples of new risk indicators could include:

- Application-related indicators, such as frequent change in director/owner/officials in a short timeframe
- FISAP-related indicators, such as failure to report Perkins without liquidation
- Instances of non-submission of required reporting, such as FISAP, SSCR, IPEDS, recertification applications, etc.
- Funding-related indicators, such as a large percentage of unprocessed de-obligations or significant change in pattern of funds draw down
- Program administration-related indicators, such as a high percentage of FAA adjustments or excessive dependency overrides
- Early warnings – issues currently identified via audit that could be identified earlier via other data analysis

These risk indicators would then be used to trigger school processing in two ways. Some indicators would be significant enough to warrant immediate attention to the school. Indicators that are not that significant in and of themselves would be incorporated into a new risk model. Only when the new risk model calculated that an aggregate of identified risk indicators had reached a threshold would the school be referred for action. Requirements for the new risk model include more continuous access to and assessment of risk indicator data, and the ability to more easily change risk indicators and weights as circumstances change.

If the more continuous, comprehensive school view approach is successful in identifying high risk schools, then by default it would identify low risk schools as well. CMO would have the opportunity to explore options for reducing low risk schools' requirements for routine reporting and case team time spent on processing those routine transactions. For example, audit submission requirements for low risk schools could be reduced to every two years. Recertification periods could be extended. Meanwhile, the risk of this reduced periodic oversight would be mitigated by the continued school view monitoring of these schools.

### **Accelerated Processing**

The feasibility of implementing additional accelerated processing capabilities will be explored in the new model. Once schools requiring action are identified through the new school view (as described above), the status of a set of prescribed criteria in the school view could be evaluated. Transactions 'passing' the criteria would not be referred for case team processing, but could be processed automatically. Two areas of accelerated processing would be explored - for existing transactions and for newly identified transactions.

For existing transactions (recertifications, audits and financial statements), accelerated processing would attempt to expand upon the functionality currently in PEPS for accelerated recertifications, non-



flagged financial statements and non-deficient audits. For each transaction, current accelerated processing criteria would be re-examined and expanded using new school view information, to improve the confidence level that there is low risk in automatically processing the identified transactions. The goal for these transactions is to expand from only automatically processing transactions where there are no problems to auto-processing those where there are low-level problems as well.

For new transactions (e.g., non-submission of FISAP report), criteria for automated processing would be defined. For each transaction, appropriate automated actions (e.g., warning letter to school) would be identified.

By eliminating simple transactions from the case team workload, the case teams would have more time to spend on resolution of the more complex cases.

## **Integrated Action Plan**

The new conceptual design model supports the concept, of an integrated school compliance action plan. Rather than only specifying one action resulting from one transaction, when needed the case team could build an integrated action plan outlining a number of actions (e.g., technical assistance, reimbursement, one year provisional PPA) to be executed over time to bring the school into compliance.

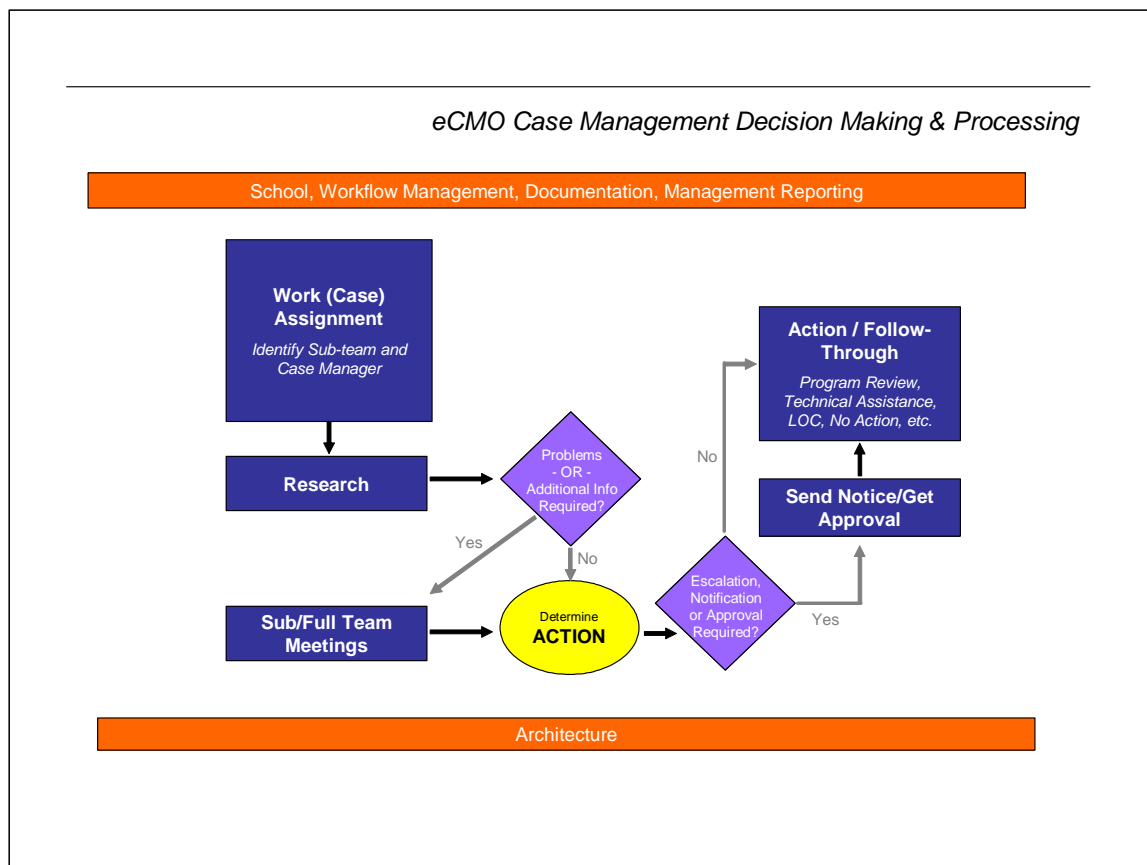
## **On-going Analysis and Improvement**

The new model could provide on-going monitoring and improvement of all components of the process.

- The new model could track the effectiveness of selected risk indicators in identifying high-risk schools. The results of this tracking could be used to add, change or delete risk indicators used, modify transactions requiring processing, and update the new risk model factors and weighting.
- Included in the model is a feedback loop that could continually analyze the criteria used to determine manual vs. automated decisions. This analysis could be used as input to update the accelerated processing module with refined selection criteria for accelerated transactions, new transactions that should be added to the auto research list, and existing transactions that should be removed from the list.
- The new model incorporates the capability to analyze the long-term impact of actions taken (reimbursement, LOC, technical assistance, etc.) on school compliance. The results of this analysis could be used to provide feedback to teams on the success of various decision strategies and potential changes needed to those strategies. In addition, analysis could be performed on schools with serious problems to determine what, if any, measures could have been taken to prevent them from getting into trouble. This analysis would provide feedback on potential technical assistance strategies, suggested regulation / statute changes, new system edits, etc.



## Level Two – Enhanced Case Decision Making and Processing



The objective of the Level Two conceptual design is to strengthen the case team process by deploying tools that let all members of the team (management, case team members, even other workgroups) see what work is in the pipeline, what data is known about a school, and what types of decisions are being made.

### Work Assignment

In the new model, assignment of all types of work, including all new / improved triggers defined above, could be accommodated in a single system. A facility for accepting, processing and tracking ad hoc triggers (e.g., student complaints, referrals from other agencies, requests for telephone technical assistance, vetting requests, controlled correspondence and FOIA requests) could be provided. Transactions would be able to be assigned within and across regions as necessary to assist in workload balancing. Work will be assigned with appropriate priority levels. After initial assignment, management would have the ability to change the assignment and/or priority level of any work item.

### Research





The new model would utilize the new school view capability to facilitate school research.

- The ability to provide easier access to required research data will be investigated. The capability to present an integrated view of all activity in progress for a school (as in the current manually prepared fact sheet and chronology) will be considered. In particular, access to real time school funding data (by fiscal, federal fiscal, award and calendar year), student level disbursement data (by name, address, phone, SSN, school, school group or location), student level program administration data, and state licensing and accrediting agency data will be explored.
- Guidelines for consistent documentation of automated and manual research findings could be established and systematically enforced.

### **Sub / Full Team Meetings**

The new model will continue the sub-team / full team concept of informed group decision making. This model requires consistency in identifying what items must go to team meetings, the format of those meetings, and who makes the final decision (managers only or a majority of all attendees). Guidelines for consistent documentation of team discussions could be established and systematically enforced.

### **Decision Support**

In order to facilitate more informed and consistent decision making, three functions are incorporated in the new model:

- Consistent guidelines could be established and enforced regarding desired or required participation in decision making by non-case team personnel (e.g., AAA, OIG, OGC, etc.)
- Information required to make a final determination could be made easily accessible. This could include a central, cross-region online resource library of cases, including the circumstances of each case and the resulting decision. This could also include a centralized searchable repository of published regulatory guidelines and interpretations from PIP, OIG and other agencies providing opinions / guidance as input to case decisions.
- Guidelines for consistent documentation of the rationale for decisions made could be established and systematically enforced.

### **Escalation and Collaboration (OGC, OPE, IG, etc.)**

In the new model, case circumstances requiring upper management notification and/or approval could be defined and enforced.

### **Communication of Action to School**

For improved consistency of communications to the schools regarding actions to be taken, the model includes three new functions:



- A searchable central on-line repository of all formal school correspondence (including FADs, program review site plans, program review reports, FPRDs, PPAs, etc.) could be made available to use as models for new correspondence.
- A correspondence creation tool could be investigated, to incorporate mandatory standard non-modifiable paragraphs, standard paragraphs for specific conditions, and user created paragraphs for unique circumstances. This tool should accommodate regular updates to standard paragraphs. A mechanism could be provided to ensure that the standard correspondence format and content are being used.
- The possibility of electronic distribution of correspondence to schools using existing school mailboxes in SAIG could be investigated.

### **Cross-process Requirements**

In addition to desired changes to specific processing steps, staff and management have identified desired changes in areas that span all steps in the process, as outlined below.

### **Workflow Monitoring, Tracking and Reporting**

The new model calls for the ability to track all work, including all newly defined triggers, through the system. Work could be tracked through all steps of the process, so individual specialists and management could assess, at any time, how many and what kind of transactions are in progress and where they are in the process. This should include tracking of requests for and receipt of information from outside of the case teams, transactions escalated for notification or approval, and required responses from schools on actions taken.

The model addresses workflow capability, including the ability to route transactions electronically to other team members, other CMO units (e.g., AAA), and perhaps even outside agencies such as OIG. The system should track when items were sent and how long they have been outstanding. The system should provide automatic notification to users when items require action or follow-up (a push approach versus the current pull approach).

The model desires multiple levels of flexible reporting:

- By individual, sub-team, team and CMO levels
- By work type, volume, cycle time, year-to-date, current period, prior period and timeframe
- Detail level and dashboard level

### **Documentation**

The model calls for the ability to support maintenance of all information collected throughout the life of the case.



- The model requires the ability to maintain paper case-related documents. All documentation relating to a case should be electronically associated with the case as it is received, rather than after the case is closed. This should include work papers and emails, as well as copies of formal documents generated. The document management system should support import of electronically generated documentation, rather than printing and scanning. All documentation relating to a case should be identified and organized by case, rather than by functional stovepipe.
- In addition, the model requires the ability to log phone calls with schools.

## Architecture

The architecture for the new solution should include the following:

- Presents data from CMO and non-CMO sources in an integrated school view, not the current functional stovepipe approach.
- Web-based, rather than ED LAN-based, to allow easy access with appropriate security from outside the office.
- Addresses privacy, security and FOIA issues.

### 3.2. Sample High Level Requirements

| Triggers  |
|---|
| The solution must provide ability to perform analytics to identify "problems" that could become cases or triggers.  |
| The solution must perform trending analysis of all data available, identify risk schools, and identify high-risk events.  |
| The solution must allow for easy modification of the weight and type of factors / criteria for identifying risk.  |
| The solution must detail procedures for providing input to the Case Management Process (e.g., student complaints); currently, most of the response time is lost in transmitting requests to the case teams. |
| The solution must provide a more efficient way to receive closed school location notification.  |
| The definition of "Case Input" must be broadened to include work such as tracking and responding to congressional inquiries, public affairs, etc.   |
| The solution must provide notification for non-submitted required reporting   |
| The solution needs to assess whether the current risk model is effective and make adjustments if necessary.   |
| The solution needs a process by which the model can clearly identify the event(s) that caused the school to be "at risk."   |
| Accelerated Processing  |
| The solution must automate lower-level decisions.   |



### Accelerated Processing

The solution must include a feedback loop (past decisions are input to auto decisions).

The solution must provide automated follow-up for non-submitted required reporting

### Work Assignment

The solution must include a single system that will deploy work across teams.

The solution must assign certain events a high priority level.

The solution must support the ability for a human to re-deploy the workload.

The solution must provide an automated way for files to appear in a queue as work needing to be done containing a specific subject line (including what task needs to be completed).

The solution must provide clarity as to which student complaints should be routed to which offices.

### Research

The solution must create a standardized data set (i.e., integrated school view).

The solution must provide the Case team with access to real-time fiscal year funding data.

The solution must provide student level data by school, school group, SSN, or location.

The solution must provide a knowledge base/resource library of case decisions from all regions (e.g., revocations) and their outcomes.

The solution must provide better access to resources such as references, published interpretations, Financial Analyst training, updated regulatory guidelines in emerging issues.

The solution must provide a central repository of site plans, program review reports, FPRDs and executive summaries with various levels of view and access privileges.

The solution must be able to upload and store guidance received from outside entities (e.g., auditor clarifications) for view access and reference.

The solution must provide clear guidelines for what is included in Level 1 research versus Level 2 research.

The solution must automate and expand upon the manual eligibility recertification by providing a checklist to ensure each reviewer performs consistent reviews.

The solution must provide a feedback loop to Case Teams regarding circumstances under which Case Teams should involve AAA in a case.

The solution must provide consistency in the level of documentation required (e.g., all students or just a sample).

### Sub/Full Team Meetings

The solution must not go back to stove-pipe decision making.

The solution must provide consistency surrounding whether/when team/sub-team meetings occur (i.e., to discuss FADs).

### Decision Support

The solution must allow for the data necessary to make final determination to be more easily accessible.



### Decision Support

- The solution must promote cross-team consistency in any determination.
- The solution must record all necessary steps and documents in the decision-making process.

### Escalation / Collaboration

- The solution must help define the prescribed escalation / collaboration process to management.
- The solution must establish a systematic protocol for current review/approval process, automating activities where possible (including the manual routing sheet that provides evidence of supervisory approval).

### Communication of Action to School

- The solution must standardize correspondence to schools.
- The solution must have the ability to track key information related to correspondence transmitted to the school (e.g., letter type, person requesting, data sent). There should be a correspondence summary screen similar to the audit screen currently in PEPS.
- The solution must have the ability to support system generated communications and user-modified standard correspondence. Required sections should not be modifiable.

### On-going Analysis and Improvement

- The solution must provide an automated way of tracking and analyzing school follow-up and corrective action plans.
- The solution must provide detailed criteria for quantifying and detailing the success of Technical Assistance.

### Workflow Monitoring / Tracking and Reporting

- The solution must provide a single point of entry for information.
- The solution must provide a centralized way to track requests, schedule workload, assign reviews, prioritize reviews, and track results/resolutions by manager, team, analyst, etc.
- The solution should provide automatic alerts for when action must be taken (i.e., push versus pull).
- The solution must provide tracking of all contact types.
- The solution must include inter-group electronic handoffs.
- The solution must provide the ability to see continuum of school activity, not just by module.
- The solution must provide an automated method to record/capture/quantify the work that TA is doing by the Case Teams on an ongoing basis (i.e., phone calls, emails, etc).
- The solution must provide an automated tracking system for controlled correspondence.
- The solution must provide an automated tracking system for FOIA requests.
- The solution must include a dashboard for management that provides data which is aggregated by region, function, timeframe, etc.
- The solution should include new management reports. Data should be able to be formatted differently based on various parameters (by team).



### Workflow Monitoring / Tracking and Reporting

- The solution must provide tracking and feedback for referrals from the IG.
- The solution must include a way to track workflow to groups or units outside of Case.
- The solution must provide a mechanism to notify Case Teams of ongoing status of referred actions (e.g., AAA cases).

### Documentation

- The solution must provide the ability to capture comprehensive contact information in the school record.
- The solution must provide a chronology of dates/events for a particular school.
- The solution should ensure that all work papers are electronic.
- The solution must provide a method for archiving back-up student documentation and e-app documents instead of retaining hard copies.

### Architecture

- The solution must integrate separate systems with separate security (PEPS, eZ-Audit, IAM, CMIS, ACORDE etc).
- Decide web versus Ed-LAN.

### Policy

- The solution must provide Case Teams with consistent guidance surrounding policy.
- The solution must re-visit the established timeframes and turnaround of workloads.
- The solution needs to include guidance for policy interpretations that are consistent for all teams. "Consistent decision making throughout all teams firmly based on PIP."
- The solution should include a plan to periodically re-evaluate policy to determine what should be updated.
- The solution should ensure that new policy and procedures are made with current systems in mind (e.g., policies should be up-to-date, reflecting the latest technologies such as electronic signature).
- The solution must perform a trend analysis comparing the amount of liabilities the Case Teams are assessing to what OHA and judges are upholding.
- The solution should include a review of the overlap of functions between Closed School Unit, Case Teams, and DRCC.
- The solution must re-visit draft procedures and the reimbursement manual, to ensure analysts are working with the most up-to-date information.
- The solution should incorporate a Quality Control mechanism (follow-up monitoring and analysis) to ensure that training and guidance on following procedure is successful.
- The solution should include a comprehensive Communication Plan including updates on what has changed in what systems, policy changes / updates, policies that are mandatory, when training will take place, frequent bulletins, who is responsible for what, etc.
- The solution should include a plan for case teams to bring an idea for a new procedure through approval process and validation and then be disseminated to all case teams.



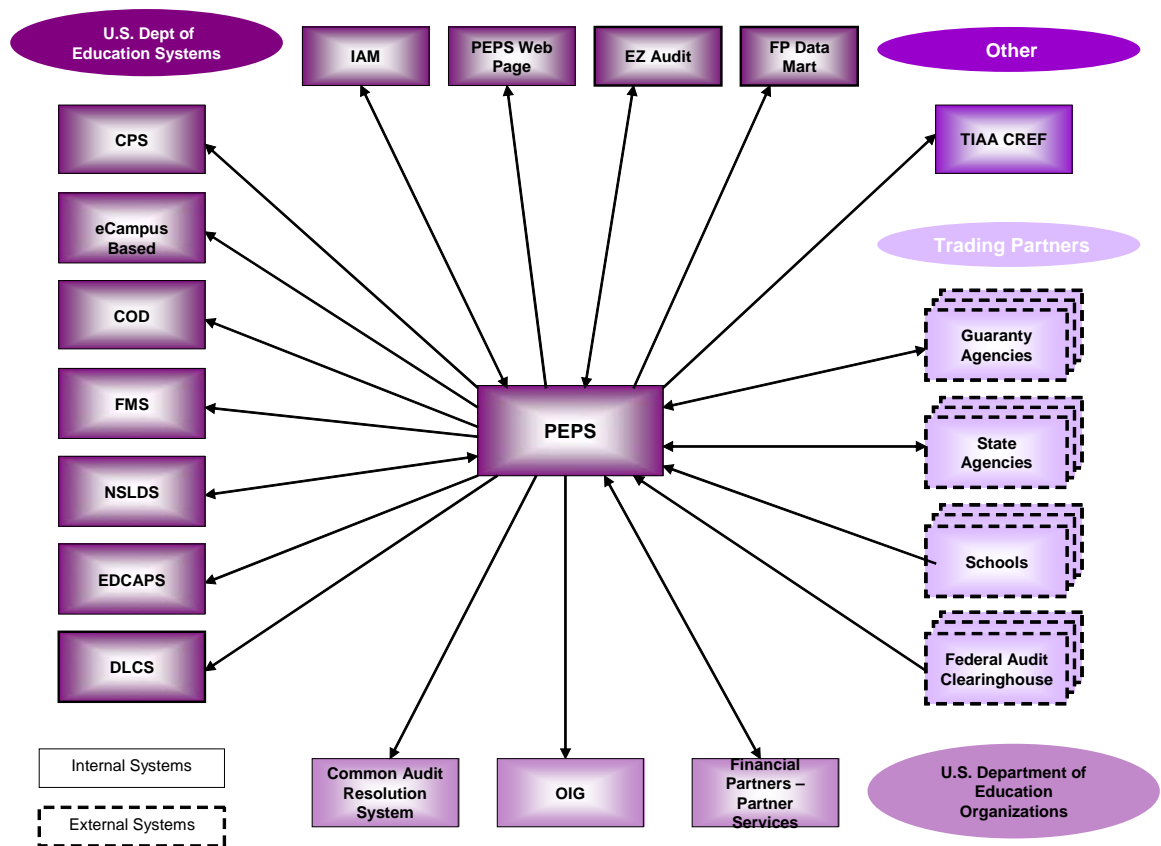
#### 4. Non – Case Management and Oversight PEPS Requirements

##### Overview

The Postsecondary Education Participant System serves the U.S. Department of Education in several ways. PEPS provides business process functionality to FSA, specifically Schools Channel CMO, and Financial Partners – Partner Services. Schools and Guaranty Agencies are also provided related business functionality. Through PEPS and its web interface for schools, schools may apply for Title IV eligibility and participation, modify their demographic and participation information, and submit required audit and financial information. Guarantors input lender review and audit directly into PEPS. PEPS also serves the entire U.S. Department of Education as a data repository and system of record for most entities involved in the process of Title IV delivery.

FSA is working to enhance its CMO business processes through the eCMO initiative. As business process functionality and the needs of CMO expand, the corresponding system tools must also evolve. Currently, CMO functionality represents a significant amount of the technical composition of PEPS, however, the U.S. Department of Education, as an enterprise, and some of its trading partners, depend upon PEPS data for application, oversight, and participation information. The purpose of this section is to document these internal and external requirements.

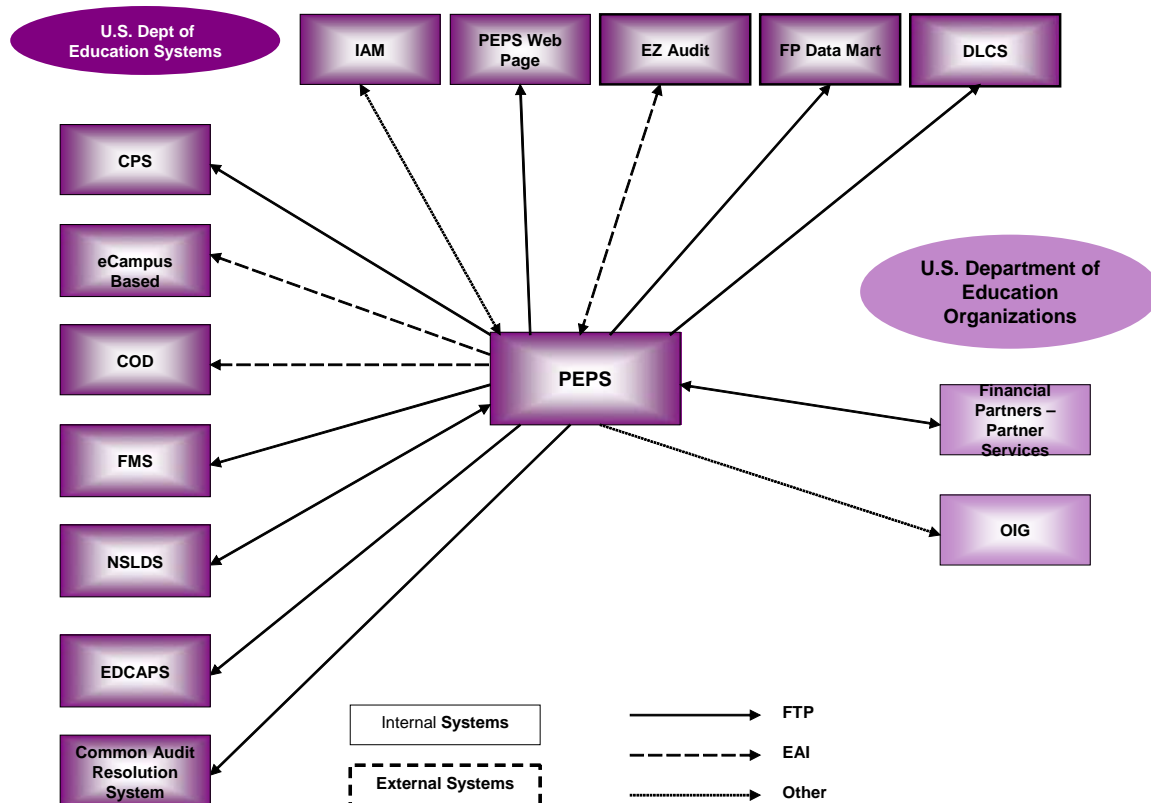
##### PEPS Overview Diagram





This section includes descriptions of the information provided to the enterprise and its trading partners under two headings; Internal and External systems. Within each heading, high-level information requirements, methods of data transfer, frequency of data transfer, and the use of data transferred will be discussed.

#### 4.1. Internal Systems



**Common Audit Resolution System (CARS)** - Outstanding school audit liabilities (new and amended) are sent to the CARS system from PEPS on a weekly basis via an FTP flat file. The liabilities are then tracked and collected by U.S. Department of Education CFO.

**Common Origination and Disbursement System (COD)** – PEPS sends the Daily School File to COD in a flat file via the EAI Bus. COD reads the Daily School File change records and overlays changes to school demographics, participation, and eligibility. COD only reads change records and will update its school data from information tagged as “changed”. Routine updates made by CMO staff and updates received via eAPP are correctly tagged as changes and appear in the Daily School File change records.





**Central Processing System (CPS)** - PEPS sends the Daily School File to CPS in a flat file via FTP. CPS is currently manually adding / modifying data until the PEPS feed starts in January 2004. CPS will read the Daily School File from PEPS beginning before September 2003. (See PEPS Interfaces with Retiring Systems below)

**The Direct Loan Consolidation System (DLCS)** – PEPS sends the Weekly School File to DLCS in a flat file via FTP on a weekly basis.

**eCampus Based System (eCB)** – PEPS sends the Daily School File to eCB in a flat file via the EAI Bus. Campus Based Programs reads the Daily School File and match incoming Campus Based files from schools to participation and eligibility data within PEPS. DUNS numbers, OPE IDs, and Campus Based Serial numbers are matched to eligible schools prior to processing obligation files through eCB to FMS.

**EDCAPS (Consolidated Accounting and Payment System)** - PEPS sends the Weekly School File to EDCAPS in a flat file via FTP

**eZ- Audit** – PEPS sends the Daily School File to eZ- Audit in a flat file via the EAI Bus. eZ- Audit reads the Daily School File to track program eligibility and to determine which schools are required to submit audits and financial statements and when they are required to send them.

**Financial Management System (FMS)** – PEPS sends the Daily School File to FMS in a flat file via FTP. Although the School File is sent on a daily basis, it is our understanding that the school file is read by FMS less frequently than daily.

**Financial Partners Data Mart** – PEPS sends the following data to the Financial Partners Data Mart on a monthly basis, in separate flat files, via the EAI Bus:

- Lender audit data
- Lender audit deficiency data
- Lender program review data
- Lender program review deficiency data
- Closed School Data – this is a change record within the PEPS Daily School file.

**Institutional Assessment Model (IAM)** – PEPS sends school oversight information to the IAM twice each year in a Microsoft Excel file via email. This information is compiled through an extract and includes the following school data (if applicable)

- Fines imposed by AAAD
- Letter of Credit
- Stop Payment
- Audits
- Program Reviews
- CMIS issues



- Institutional demographic and eligibility data
- Financial Statements

**Office of Inspector General (OIG)** – PEPS sends a list of schools due for eligibility recertification on a quarterly basis. This list is sent as a request for information regarding pending or open actions on schools by OIG prior to recertification. The list is an extract from PEPS sent in a Microsoft Excel file via email, on a quarterly basis.

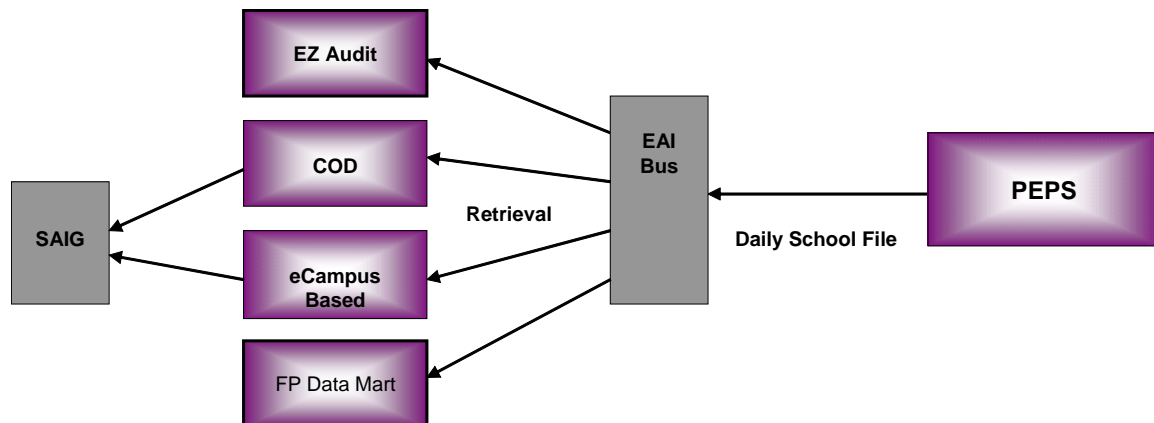
**(Note:** *Dan Dietz sends the list of Direct Loan schools to the OIG. The school name is sent as each school applies for participation.*)

**PEPS Web Page** – The Weekly School File is posted the PEPS Web page. The Weekly School File is available to the general public.



#### 4.2. PEPS Interface to EAI Bus

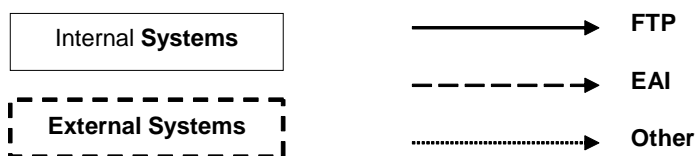
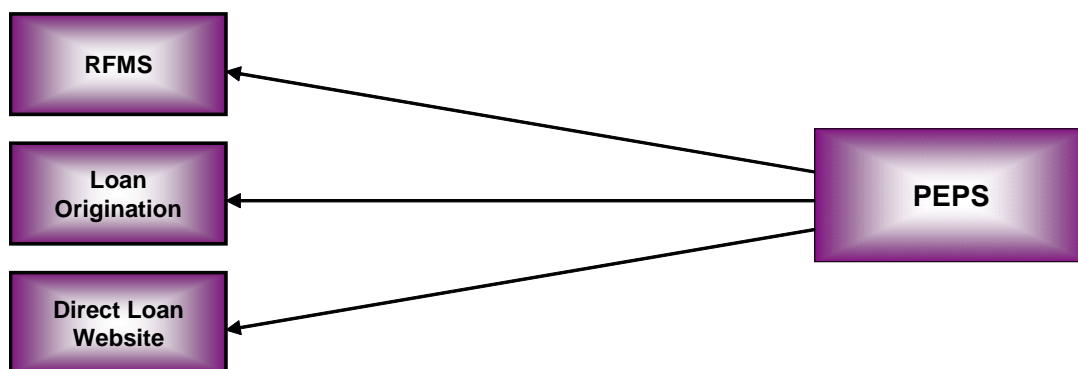
The illustration below depicts PEPS interfaces to modernized systems via the EAI Bus.





#### 4.3. PEPS Interfaces with Retiring Systems

PEPS currently maintains interfaces with systems scheduled for retirement in the near future.



**Recipient Financial Management System (RFMS)** – PEPS currently sends the Daily School File to RFMS in a flat file via FTP. RFMS is scheduled to be retired in September 2003.

**Loan Origination (LO)** – PEPS currently sends the Daily School File to LO in a flat file via FTP. It is our understanding that LO is scheduled for retirement.

**Direct Loan Website** – PEPS currently sends the Daily School File to the Direct Loan Website in a flat file via FTP.

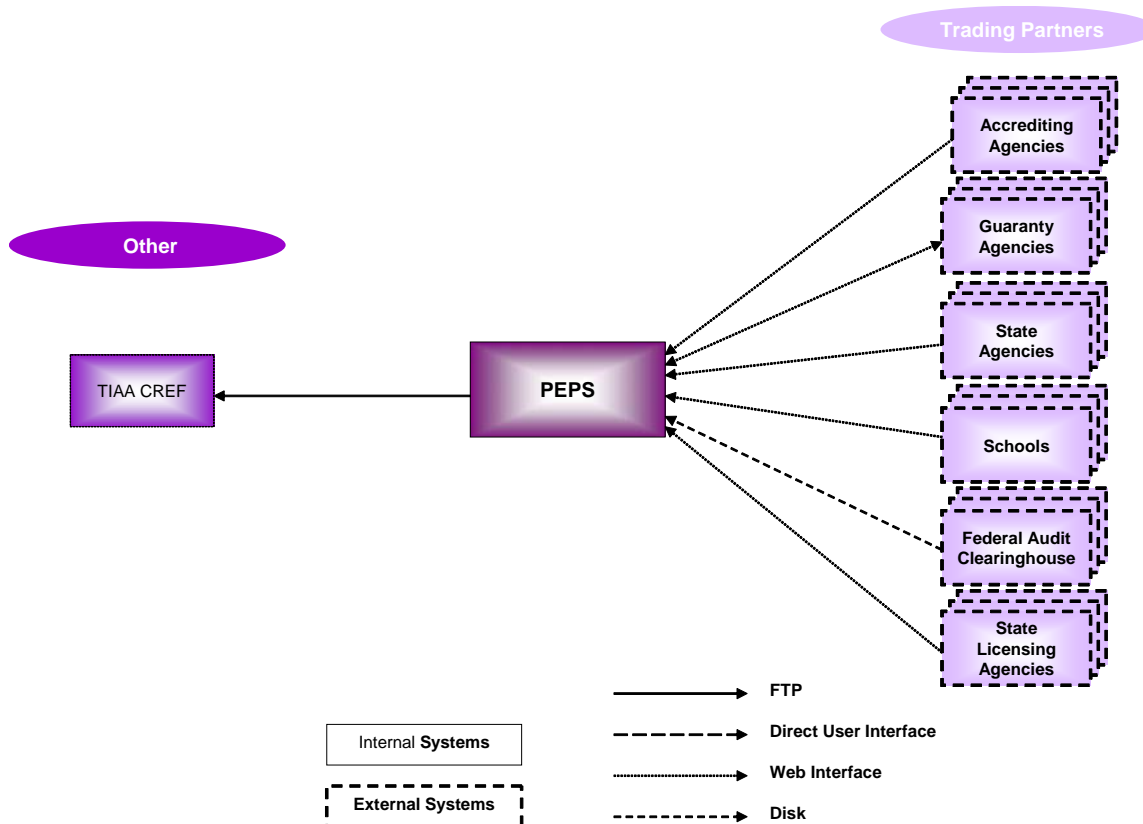


#### 4.4. External Users

As the U.S. Department of Education participant management system, PEPS maintains data on most entities involved in the delivery of Title IV aid. This list of external entities (users) includes:

- Schools
- Third Party Servicers (who act on behalf of schools)
- Guaranty Agencies
- Lenders
- Federal Audit Clearinghouse
- Accrediting Agencies
- State Licensing Agencies

One notable entity missing from this list are state agencies that participate in the Leveraging Educational Assistance and Partnership (LEAP) and Special Leveraging Education Assistance Partnership (SLEAP) programs. In some states, the state designated guarantor administers the LEAP/SLEAP programs. There are 56 state agencies currently eligible to administer LEAP/SLEAP. Each year, the agencies apply for LEAP/SLEAP funds and have entries created in FMS and GAPS manually to allow for funds to be drawn down by the agencies and subsequently funded to students.





**Federal Audit Clearinghouse** – The Clearinghouse electronically sends school audit and financial data to DMA who uploads the data into PEPS on behalf of schools. The paper audits are sent via U.S. Mail to DMA.

**Guaranty Agencies (GAs)** – Guaranty Agencies have a direct user interface to PEPS. Guarantors use PEPS data to verify eligibility of attending institutions who certify individual student eligibility for Stafford and PLUS loans. Guarantors also enter lender audit and review data into PEPS. This information is used by Financial Partners – Partner Services, who have oversight responsibility over guaranty agencies and lenders.

**Schools** – Schools apply for Title IV participation via a web-based application, eAPP, which is considered as a web extension of PEPS. Schools complete a series of forms on the web and if deemed eligible, submit a hard copy Program Participation Agreement (PPA). School demographic information is loaded to PEPS from the web application. Schools may modify demographic and participation information via eAPP.

**State Agencies** – State Agencies that participate in the LEAP/SLEAP programs have a direct user interface to PEPS. State Agencies use PEPS to verify attending institution Title IV eligibility for LEAP/SLEAP grant recipients.

**TIAA CREF** – PEPS sends the Weekly School File to this organization that offers insurance and retirement annuities to those employed in Higher Education. It is our understanding that the Weekly School File is used to identify institutions at which employees may be eligible to participate in the insurance and annuity programs.



## 5. Appendix A: Process Meeting Feedback

The following anecdotal feedback was captured during the eCMO process review meetings. The 'Source' column indicates the session during which the comment was made. Clarifying details are provided in the 'Notes' section. These comments are not meant to be a word-for-word transcript of the process meetings, but rather an aggregated list of thoughts, suggestions, ideas, etc.

| # | Feedback   | Source           | Notes   |
|---|--|------------------|---|
| 1 | We would like to have a method to document / track the analysis work performed by the Audit Resolution Specialist (ARS). | Compliance Audit |   |
| 2 | We need to find a way to eliminate the contradictions in the policies.   | Compliance Audit |   |
| 3 | We need a way to accomplish cross-team consistency in creating the Final Audit Determination (FAD).                      | Compliance Audit | Some teams can still request corrective action in the FAD, while others can only close findings or request payments. Note: All teams should be requesting corrective action in the FAD. Reference PIP Procedures Memorandum 97-20, November 21, 1997 and PIP Mailbox Message #216 dated April 18, 2000 (Subject: PADLs/TRs prior to FADLs). |
| 4 | We need consistency and guidance as to how various regions must treat <\$1,000 Pell liability.                           | Compliance Audit | There was some controversy surrounding how Atlanta treats < \$1,000 Pell liability  |
| 5 | We need consistency surrounding the criteria to escalate issues to team / sub-team meetings to discuss a FAD.            | Compliance Audit | The timing of the meeting in the process should be flexible.  |
| 6 | We would like a system that allows for OIG audits to be addressed in the Compliance Audit Process.                       | Compliance Audit | These audits are not submitted via eZ-Audit.  |



| # | Feedback   | Source               | Notes   |
|---|--|----------------------|---|
| 7 | We need a better way to easily access data necessary to make final determinations.   | Compliance Audit     |   |
| 8 | We wish there was a way to access fiscal year data.  | Financial Statements | The regulation states Case should work with "fiscal year" data, but Case usually has access to only award year data.  |
| 9 | <p>We need integrated view access for disbursement and drawdown data as well as student-level disbursement data for the following programs:</p> <ul style="list-style-type: none"><li>- Pell</li><li>- FSEOG</li><li>- Perkins</li><li>- FWS</li><li>- Direct Loan -- Sub</li><li>- Direct Loan -- Unsub</li><li>- Direct Loan - Plus</li><li>- FFEL - Sub</li><li>- FFEL - Unsub</li><li>- FFEL - PLUS</li></ul> <p>By the following categories:</p> <ul style="list-style-type: none"><li>- Award Year</li><li>- Federal Fiscal Year</li><li>- School Fiscal Year</li><li>- Loan Period</li></ul> <p>For the following entity types:</p> <ul style="list-style-type: none"><li>- Main campus / eligible school</li><li>- Additional Location</li><li>- Primary Owner</li></ul> | Financial Statements | Rules needed to define how to calculate AY for DL and FFEL funds; School Fiscal Year will require tracking by school. |





| #  | Feedback  | Source               | Notes   |
|----|---|----------------------|---|
| 10 | We would like better access to resources such as<br>- references<br>- published interpretations<br>- Financial Analyst training<br>- Regulatory updated guidelines in emerging issues   | Financial Statements | Could become part of Knowledge Management solution.                         |
| 11 | We need better explanations (within eZ-Audit) on how to document decisions. There is currently a mechanism to capture this info, but a business practices needed to make it consistent.   | Financial Statements |   |
| 12 | We would like a way to calculate excess cash at point in time.  | Financial Statements | COD should be able to both calculate and queue based on levels (\$, %, etc) |
| 13 | We need a system that can upload and store guidance received from outside entities (e.g., auditor clarifications) for view access and reference.  | Financial Statements | Tools such as "Ask the expert" or a knowledge repository.                   |
| 14 | We need a system that tracks critical information related to decision-making:<br>- Date initial decision made<br>- Date approval requested<br>- Date approval determination received<br>- Date final decision made  | Financial Statements |   |
| 15 | We would like the new system to have the ability to track lapsed time for key performance indicators such as:<br>- Time from input received to decision made<br>- Time from approval requested to approval determination received<br>- Time from input received to notification of decision transmitted to school                   | Financial Statements | Need to define specific requirements for input                              |
| 16 | We need a system that has the ability to track key information related to approvals:<br>- Whether an approval is required for a given decision (The solution must be able to automatically identify required approvals for predetermined actions)<br>- The result of an approval request (approved, denied, approved conditionally) | Financial Statements |   |



| #  | Feedback   | Source               | Notes  |
|----|--|----------------------|--|
| 17 | We would like the new system to have the ability to track key information related to correspondence transmitted to the school:<br>- Letter type<br>- Person requesting<br>- Data sent  | Financial Statements |  |
| 18 | We wish we had the ability to support user-modified standard correspondence.   | Financial Statements | Currently we are unable to modify required sections  |
| 19 | We need a clear definition of the prescribed LOC escalation process to management. There needs to be definition surrounding:<br>- How long does it take the Case Team to make a determination?<br>- How long does it take the Case Team to notify the school (if at all)?<br>- What date will be captured for performance? | Financial Statements | Over \$ 5 million must concur with Victoria; clear definition of 45 day turnaround; allowance of tracking time for escalation            |
| 20 | There is a need to standardize letters to communicate to schools.  | Financial Statements | LOC and Zone letters.  |
| 21 | We want a tool within the system to notify us of schools that are on 10% LOC without provisional PPA so that these schools can be monitored.   | Financial Statements | The same issue exists for schools referred to AAA when the LOC has not been received.  |
| 22 | We need definition surrounding the requirements for monitoring schools on Zone.  | Financial Statements | Could apply to other scenarios (not just Zone).  |
| 23 | We need to have consistent guidance surrounding policy.  | Financial Statements |  |
| 24 | We want a better method of running PEPS reports in regions.  | Financial Statements | PEPS reports are often difficult to run in regions due to LAN based set-up of databases that require refresh as well as synch of changes |
| 25 | We need access to real-time fiscal year funding data.  | Financial Statements |  |
| 26 | We want a method for obtaining accurate and consolidated information for common ownership schools.   | Financial Statements |  |
| 27 | We want automatic alerts for un-received applications.   | Application          |  |
| 28 | We want to make use of electronic signature legislation.   | Application          |  |



| #  | Feedback   | Source      | Notes   |
|----|--|-------------|---|
| 29 | We need a system that provides current tracking of a school's historical status.   | Application | Schools can be on 'month to month' status for several years.  |
| 30 | We need a workflow monitoring tool that can track task assignments for all analysts.   | Application | Atlanta currently uses a database with task assignments for all analysts, etc; however there is inconsistency across regions as to how this is done.  |
| 31 | There is a need for a single point of entry for information.   | Application | PEPS - public info; CMIS - Internal, EZ-Audit   |
| 32 | We need a way for additional e-app documents to be uploaded instead of retaining hard copies.  | Application |   |
| 33 | The new system should provide separate comment fields for analyst and reviewer comments in EZ-Audit.   | Application | The comment fields need to be separate for analyst recommendations vs. team decisions.  |
| 34 | We need clarification as to what information should be housed in PEPS vs. CMIS (a public vs. private system).                                | Application |   |
| 35 | We need a system that provides a place to record student comments (database) and accurate, consistent procedures for handling student calls. | Application |   |
| 36 | We need to re-examine the change in ownership process.   | Application |   |
| 37 | We need clear guidelines for what is included in Level 1 versus Level 2 research.  | Application |   |
| 38 | We need a system that generates boilerplate letters for actions beyond certification.  | Application | Specifically, the process for sending out the 'Change in Ownership' email needs to be standardized (currently, it varies among regions). This is an automation opportunity (to force consistency) |



| #  | Feedback   | Source         | Notes   |
|----|--|----------------|---|
| 39 | We need a way to automate and expand upon the manual eligibility recertification checklist to ensure each reviewer performs consistent reviews.  | Application    | OIG has become upset with the lack of rationale documentation.                    |
| 40 | We need a system that automates the current manual routing sheet to provide evidence of supervisory approval.  | Application    |   |
| 41 | We want the new system to include a module to log and compile student complaints.  | Application    |   |
| 42 | We want a manual that details the procedures for compiling student complaints.   | Application    |   |
| 43 | We want to be provided with a process in which transmittal letters may be generated directly from the system.  | Application    | Currently, the form letters are cut and pasted into outlook.                      |
| 44 | We need a method to save previous iterations of PPAs and approval letters.   | Application    | Currently, copies must be printed and scanned into ACORDE.                        |
| 45 | We need a system that will auto-generate alert notices of initial and change in ownership so that CMO may provide feedback.  | Application    |   |
| 46 | We need a system that automates and expands upon the manual eligibility recertification. It should provide a checklist to ensure each reviewer performs consistent reviews.  | Application    | Should be expanded to all areas such as audit and financial statements.           |
| 47 | We need the current review / approval process for CMO management automated.  | Application    |   |
| 48 | We want to eliminate the need for on-site reviewers to allocate resources to make hard copies of student documents.  | Application    | Use a digital camera. Upload pictures to disk or email to office. (Karen Chauvin) |
| 49 | We want the new system to automate (within PEPS) the tracking of the 30 day 'clock' for the PPA and transmittal. The new system should generate email notifications to schools reminding them to print, sign, and return PPAs. | Application    |   |
| 50 | The solution must automate/allow an efficient method for completing the PEPS data entry form.  | Program Review | Do away with the for—enter into system (Karen Chauvin)                            |



| #  | Feedback   | Source         | Notes   |
|----|--|----------------|---|
| 51 | We want a correspondence summary screen similar to the audit screen currently in PEPS.                                     | Program Review |   |
| 52 | We need an automated process to begin the AAA referral process.  | Program Review | Currently the PEPS screen allows entering of referral action, but there is manual process to notify AAA or finance to put schools on HCM1, HCM2                 |
| 53 | We need a way to provide CMO with the internal ability to retrieve a consolidated, unduplicated count for student rosters. | Program Review |   |
| 54 | We need to re-visit the established timeframes and turnaround of workloads.  | Program Review | CMO staff returns from onsite reviews and may have other reviews or pressing work. "The clock" instead of the risk to Federal dollars prioritizes the workloads |
| 55 | We want a system that tracks receipt of response from sending certified Determination Letters.                             | Program Review | The clock for appeals begins and is tracked at the receipt of the letter; currently tracked manually.<br><br>Use Federal Express (Karen Chauvin)                |
| 56 | We need options in the system to log and ID each type of Program Review including Model Case Enforcements.                 | Program Review |   |
| 57 | We want access to student level data for disbursement and reconciliation by school and by location.                        | Program Review | Currently some can query out of COD to get Pell disbursements and an output roster  |
| 58 | We need links or standardized access to each of the following systems for Level I Research: (see notes).                   | Program Review | IAM, PEPS/CMIS, GAPS, NSLDS, COD, RFMS, FISAP, ACORDE, A/R Website, EZ-Audit, E-App, IPEDS/CORE   |



| #  | Feedback   | Source         | Notes  |
|----|--|----------------|--|
| 59 | There is a need to re-examine all the various types of Program Reviews, fully define them, and analyze the need for multiple types.                                      | Program Review |  |
| 60 | The solution must provide clear definition of the levels of Program Review results.  | Program Review | Currently 0=no regulatory violation, 1= moderate deficiencies, 2= serious deficiencies, 3=very serious deficiencies, 4 = fraud and abuse |
| 61 | We want a better way to schedule workload, assign reviews, prioritize reviews, and track results by manager and team.  | Program Review |  |
| 62 | We need a way to analyze the time and performance impact of sending cases of \$100k and above to OGC for concurrence   | Program Review |  |
| 63 | We need additional guidance on the formal process for reporting Program Reviews and audits   | Program Review |  |
| 64 | We would like to re-iterate the established policy in minimum liabilities assessed during a Program Review   | Program Review |  |
| 65 | We need some level of consistency between the \$1,000-10,000 threshold in both audit as well as Program Reviews  | Program Review |  |
| 66 | There is a need to restructure the PEPS screen data for ease of use  | Program Review |  |
| 67 | We need to analyze how teams do their work in collecting student documents onsite.   | Program Review |  |
| 68 | We want the 2001 Program Review Guide to be analyzed for compliance and up-to date information   | Program Review |  |
| 69 | We want a system that provides electronic access to Self-Assessment tools onsite to reviewers  | Program Review |  |
| 70 | We want a system that houses a central repository of site plans, Program Review reports, FPRDs and executive summaries with various levels of view and access privileges | Program Review |  |
| 71 | We need detailed guidelines to input review results into CMIS and PEPS   | Program Review |  |
| 72 | We need additional assistance in crime statistics and training.  | Program Review |  |



| #  | Feedback   | Source          | Notes   |
|----|--|-----------------|---|
| 73 | We need a greater level of Spanish speaking assistance.  | Program Review  |   |
| 74 | We need a system that provides an automated way of tracking school follow- up and corrective action plans.                                       | Program Review  |   |
| 75 | We need automated tracking of follow-up reviews to show improvements at the deficiency level.  | Program Review  |   |
| 76 | We want a system that provides automatic notification of new school officials.   | Program Review  |   |
| 77 | We want training on detecting fraud during onsite reviews.   | Program Review  |   |
| 78 | We want refresher training for field staff on Program Review techniques.   | Program Review  |   |
| 79 | We would like a comprehensive overview of CMO for all New Hires.   | Program Review  |   |
| 80 | We want a method for reviewers to receive expedited answers to issues/questions encountered in the field.  | Program Review  |   |
| 81 | We need a system that houses a repository of the expedited answers to issues/questions from the field.   | Program Review  |   |
| 82 | We need a way to expedite recertification and enhance automatic edits on the electronic application (eApp).                                      | Program Review  |   |
| 83 | We want a system that has automated data imports for Institutional Assessment Model (IAM) from their sources (PEPS, CPS, RFMS, GAPS, and NSLDS). | Risk Assessment |   |
| 84 | We need more frequent updates to system (IAM).   | Risk Assessment |   |
| 85 | We need to include the appropriate number and type of factors to evaluate school risk.   | Risk Assessment | Current 9 factors may not be the right ones. Perhaps use demographics data? |
| 86 | We want to include demographic data from IPEDS.  | Risk Assessment | This data is self-reported from the schools on a mandatory basis.           |
| 87 | We need a process by which the model can clearly identify the event that caused the school to be "at risk".                                      | Risk Assessment |   |



| #   | Feedback   | Source          | Notes   |
|-----|--|-----------------|---|
| 88  | We want to be provided with more student level data to evaluate risk.  | Risk Assessment |   |
| 89  | We need analysis in the Risk Model surrounding factors such as COA for Pell Grants, Dependency Override, Professional Judgment changes relative to the size of schools and the national average. | Risk Assessment |   |
| 90  | We need to include information concerning the aging of Perkins Loan Portfolio for schools.   | Risk Assessment |   |
| 91  | We want to be provided with accurate and timely information from other systems regarding when the school is late in submissions  | Risk Assessment | SSCR, FISAP, Transfer Monitoring, or reconciliation reports                               |
| 92  | We need a clear definition as to: "what is risk?"  | Risk Assessment |   |
| 93  | We need a system that has an automated method of feeding IAM data.   | Risk Assessment |   |
| 94  | We want a system that has a method for analyzing notes data.   | Risk Assessment | Notes are currently recorded in note fields, not data fields, so no analysis can be done. |
| 95  | We want a method of capturing characteristics of institutions before they close - "what not to do" data.   | Risk Assessment |   |
| 96  | The solution must allow for easy modification of the weight and type of factors / criteria for identifying risk.   | Risk Assessment | Currently, they are modified on an annual basis through a contract.                       |
| 97  | We need success criteria to verify whether the Risk Model works (a method to validate results of Risk Assessment).   | Risk Assessment |   |
| 98  | We need to include foreign schools in the Risk Model.  | Risk Assessment |   |
| 99  | We want a method for identifying similar characteristics of the same owner or auditor in the Risk Model.   | Risk Assessment |   |
| 100 | There is a need to eliminate redundancy in school summary info within the Risk system and other CMO systems.   | Risk Assessment |   |





| #   | Feedback  | Source               | Notes   |
|-----|---|----------------------|---|
| 101 | We would like a method for systematic Quality Control (QC) plan to ensure data integrity - the system would do the quality control.   | Risk Assessment      | Certain things must meet specific parameters. Better edits on the data that goes into the system.                           |
| 102 | There is a need for an automated method for files to appear in a queue as work needing to be done containing a specific subject line (including what task needs to be completed). | Risk Assessment      |   |
| 103 | We need a system that provides opportunities for edits on data from multiple systems to ID liabilities or other issues.   | Risk Assessment      | Closed school location where the main branch remains open.  |
| 104 | We need a way to track all contact types.   | Technical Assistance | Currently, the only thing tracked (in PEPS) is the on-site visits. Need a system to track referrals and resulting contacts. |
| 105 | We need the ability to see continuum of school activity, not just by module (like in PEPS).   | Technical Assistance |   |
| 106 | We would like an accurate automated reflection of multiple and long-term Technical Assistance activities with a single start and end date.  | Technical Assistance |   |
| 107 | We need detailed criteria for quantifying and detailing the success of a Technical Assistance and all other actions.  | Technical Assistance |   |
| 108 | We would like a feedback mechanism from schools to evaluate the Technical Assistance process.   | Technical Assistance |   |
| 109 | We need clarity and detailed guidelines of the duties of training officers, client account managers, and IIS.   | Technical Assistance |   |
| 110 | We need clarification and guidance on what type of notes to input into CMIS vs. PEPS - or we need to find some consolidated system.   | Technical Assistance |   |
| 111 | The solution needs the ability to measure the success of Technical Assistance. (BURNING ISSUE - one of the compliance measures - need this by EOY 03).                            | Technical Assistance |   |
| 112 | We would like clarification as to the expectations of Technical Assistance from the Schools Channel.  | Technical Assistance |   |



| #   | Feedback  | Source                             | Notes   |
|-----|---|------------------------------------|---|
| 113 | There is a need to re-examine the procedure for multi-year Technical Assistance plans for new schools.  | Technical Assistance               |   |
| 114 | We need a system that provides an automated method to record/capture/quantify the work that Technical Assistance is doing by the Case Teams on an ongoing basis (i.e., phone calls, emails, etc). | Technical Assistance               |   |
| 115 | We would like a method to capture customer testimonials/narratives as measure of success of Technical Assistance.   | Technical Assistance               |   |
| 116 | We would like to be provided with revisions and updates to the IIS Manual.  | Technical Assistance               | Specifically, updated process flows.  |
| 117 | The solution must reevaluate the Distance Ed 50% limit (current law states that in order to be eligible for title IV funds, you cannot provide more than 50% of instruction via distance ed).     | Technical Assistance / Distance Ed | Schools feel that current 50% limit is artificial and should be relaxed.<br><br>* Need legislation to do this (Karen Chauvin) |
| 118 | We need a method of determining if significant findings are directly correlated to participating in the Distance Ed pilot.  | Technical Assistance / Distance Ed |   |
| 119 | The solution must re-evaluate questions on the recertification application.   | Technical Assistance / Distance Ed | What percent of your courses are provided through distance ed? (Karen Chauvin)  |
| 120 | There is a need for better methods of monitoring Distance Ed compliance.  | Technical Assistance / Distance Ed |   |
| 121 | We need clarity in vetting requests for either information only or recommendations.   | Vetting of Schools                 |   |
| 122 | We would like a system that provides a standardized format (checklist for required research) for expected / required research to respond to vetting requests.                                     | Vetting of Schools                 |   |
| 123 | The solution must provide a system for tracking requests / resolutions.   | Vetting of Schools                 |   |



| #   | Feedback   | Source                             | Notes  |
|-----|--|------------------------------------|--|
| 124 | We need a standardized request form for vetting.   | Vetting of Schools                 | Currently, requests come in on schools with missing information (OPE ID, location, etc)      |
| 125 | We need detailed procedures so that most of the response time is not lost in transmitting requests to Case Teams.  | Controlled Correspondence          |  |
| 126 | We would like an automated tracking system for controlled correspondence.  | Controlled Correspondence          |  |
| 127 | We need an automated tracking system for FOIA requests.  | Controlled Correspondence          |  |
| 128 | There is a need for a better mechanism for complaints to be submitted.   | Student Complaints                 | Suggestion: provide direct link on ed.gov homepage for postsecondary student complaints.     |
| 129 | We need a system that tracks and makes aggregate information available for teams concerning multiple student complaints for one school.  | Student Complaints                 |  |
| 130 | We need clarity as to which complaints should be routed to which offices.  | Student Complaints                 |  |
| 131 | We want direction surrounding standardization of turnaround times for contacting student re: complaint.  | Student Complaints                 | Currently 48 hours in some cases   |
| 132 | We need a mandate stating that the reason for a school closing be documented.  | Closed Schools/Loss of Eligibility |  |
| 133 | We would like a more efficient method to receive closed school / location notification.  | Closed Schools/Loss of Eligibility | Currently, most of the notification are received via the Case Teams as they review the E-App |
| 134 | We should find a way to re-phrase E-app questions to gather detailed information as to the "Cease of instruction date" to reduce the amount of research conducted by Closed Schools. | Closed Schools/Loss of Eligibility |  |



| #   | Feedback   | Source                             | Notes  |
|-----|--|------------------------------------|--|
| 135 | We want to be provided with training on new / automated Closed School Procedures.  | Closed Schools/Loss of Eligibility |  |
| 136 | The solution must aggregate and provide last known addresses of locations/officials to eliminate returned correspondence.                    | Closed Schools/Loss of Eligibility |  |
| 137 | We need definitive guidance surrounding "teach outs".  | Closed Schools/Loss of Eligibility |  |
| 138 | We need a system that automates the methods for recording ongoing details for each Closed School.  | Closed Schools/Loss of Eligibility | Currently information is inputted in the Closed school Module, CMIS and sometimes not at all   |
| 139 | The solution must provide an appropriate reason code as teams place "possible" closed schools on reimbursement.                              | Closed Schools/Loss of Eligibility |  |
| 140 | There is a need to eliminate duplicate letters and correspondence schools receive concerning loss of eligibility by Case Teams and the DRCC. | Closed Schools/Loss of Eligibility | This is against PIP procedures. Reference PIP Procedures Memorandum 01-04 (R-1), March 27, 2002.   |
| 141 | There is a need to resolve the disconnect of Case Teams awaiting closure dates before completing the review of the E-App.                    | Closed Schools/Loss of Eligibility | Case Team members cited that their timeframe to review the E-App is impacted by up to 2 weeks as the Closed School Unit researches a reported closed location on the E-app |
| 142 | We need a way to view access of AAA actions recorded in the notes field in PEPS.   | AAA                                |  |
| 143 | We would like a mechanism through which to notify Case Teams of the ongoing status of referred actions.                                      | AAA                                |  |
| 144 | We would like a feedback loop to the Case Teams that details the status/actions of the referral.   | AAA                                |  |



| #   | Feedback  | Source | Notes |
|-----|---|--------|-------|
| 145 | There needs to be a way to provide AAA staff with access to the CMIS portion of PEPS for updates on actions.  | AAA    |       |
| 146 | There is a need to examine the assigning of all schools for research to AAA (this is too time consuming and causes a duplication of effort with AAA/PEPS screens).                  | AAA    |       |
| 147 | We would like a more formal procedure for referral of recertification/denial/revocations to AAA.  | AAA    |       |
| 148 | We would like an annual feedback loop back to Case Teams on results of actions taken by AAA.  | AAA    |       |
| 149 | We would like a feedback loop to Case Teams when AAA should get involved in case.   | AAA    |       |
| 150 | We need a feedback loop to Case Teams as to the reasons of non-action for referrals.  | AAA    |       |
| 151 | There is a need for a change to the system so revocation actions are included in the system list of action reasons.   | AAA    |       |
| 152 | We need a knowledge base of previous revocations and how they were successful to all regional teams.  | AAA    |       |
| 153 | We would like a field for tracking referrals sent to OIG.   | AAA    |       |
| 154 | There is a need for an area in which the PEPS bill number can be accessed prior to the final outcome being entered into PEPS; this will allow the timely preparation of the letter. | AAA    |       |
| 155 | We would like training on the determination of revocations, denials, provisional recertifications, or any adverse actions.  | AAA    |       |
| 156 | We would like feedback from AAA regarding the information submitted for appeal review for schools that was not originally submitted during the Case Team review process.            | AAA    |       |
| 157 | We would like the ability to track appealed amounts by deficiency and the amended amount by deficiency.   | AAA    |       |



| #   | Feedback   | Source | Notes   |
|-----|--|--------|---|
| 158 | We would like a full view and migration of information from the AAA module for the Case Teams to view.   | AAA    | In the AAA appeal screen, the date and box for appeal that is checked must migrate to the Case Team screens for review            |
| 159 | We need to be provided with the appropriate information to enter liabilities by deficiency.  | AAA    |   |
| 160 | We would like guidance as to how to complete the DDIF and the ACD with revised liability amounts by deficiencies.  | AAA    | Currently they may not know they are responsible for updating the DDIF and the ACD with revised liability amounts by deficiencies |
| 161 | There is a need to provide the Case Teams with a summary of the monthly AAA reports associated by school and OPEID.  | AAA    |   |
| 162 | We would like management information on schools in the hearing process to get status and accountability.   | AAA    |   |
| 163 | We would like to be provided with information to analyze/trend and assess the amount of liabilities the Case Teams are assessing based on what OHA and judges are upholding. | AAA    |   |
| 164 | We need to be provided with detailed guidelines and clarity as to who should initiate debarment requests.  | AAA    |   |
| 165 | We would like a connection between the IG and AAA to get referrals on individuals that are being considered for debarment.   | AAA    |   |
| 166 | We need to be provided with ongoing debarment screening and screening of those who are voluntarily exclusions in PEPS.   | AAA    |   |
| 167 | There is a need to broaden debarment screening to managers, stockholders, management consulting firms, any names that are available, as well as inclusion of SSN.            | AAA    | Collecting SSN is a privacy issue and data security issue. PEPS is not secure enough to collect SSNs. (Karen Chauvin)             |
| 168 | We need access for conviction checks.  | AAA    |   |
| 169 | We need access to a public debarment/conviction list.  | AAA    |   |



| #   | Feedback   | Source        | Notes  |
|-----|--|---------------|--|
| 170 | We need a system that provides tracking and feedback for referrals from the IG.                                      | AAA           |  |
| 171 | We would like weekly updates with information on the status of IG cases.   | AAA           |  |
| 172 | We need a system that allows Case Teams to track referrals; not just AAA in their specific module.                   | AAA           |  |
| 173 | We want a central workload tracking in one location.   | AAA           |  |
| 174 | We need access to information concerning non-submission of required reports.   | AAA           | Required reports include IPEDS, SSCR, crime statistics, etc. Currently, the IPEDS and the crime stat are the only ones tracked |
| 175 | We need information from the owners of the specific reports regarding which schools have not submitted reports.      | AAA           |  |
| 176 | We need to be sure to identify all offices that have reporting requirements.   | AAA           | Case Teams only actively look at these during Program Review   |
| 177 | There is a need for a formal procedure to capture non-reporting and have Case Teams work.                            | AAA           |  |
| 178 | We would like an interface in which the owners of the non-submission reports can forward the data to Case Teams.     | AAA           | The collectors of the non-submission report information do not have the authority to enforce                                   |
| 179 | We need an automated method in which to log reimbursement batches submitted.   | Reimbursement |  |
| 180 | We need a system that provides a prompting to ensure schools enter disbursement records into COD for analyst review. | Reimbursement |  |
| 181 | We need more efficient printing capabilities from the COD system.  | Reimbursement |  |
| 182 | We need a solution that provides the Reimbursement Analyst a single login ID for COD, PEPS, and GAPS.                | Reimbursement |  |



| #   | Feedback   | Source        | Notes   |
|-----|--|---------------|---|
| 183 | We need consistency in the submission/level of documentation required --all students or just sample.   | Reimbursement |   |
| 184 | We would like a better method for archiving back-up documentation on the student level that is submitted for review.                         | Reimbursement |   |
| 185 | We need to make appropriate use of statistical sampling to address the critical issues for which the school was put on reimbursement.        | Reimbursement |   |
| 186 | We must re-visit draft procedures and reimbursement manual, to ensure analysts are working with the most up-to-date information.             | Reimbursement |   |
| 187 | We would like a system that sums the individual programs for the reimbursement analyst to search for in GAPS.                                | Reimbursement |   |
| 188 | We would like a way to provide current funding data in the PEPS system that is fed from GAPS.  | Reimbursement | Currently the two systems do not contain the same information |
| 189 | We need to rectify the data transfer from COD to GAPS that is currently lengthening the timeframe for schools to receive money.              | Reimbursement |   |
| 190 | We need a way to resolve the issue of reimbursement analysts having to reconcile schools funds as 80% of their job function.                 | Reimbursement |   |
| 191 | We would like a method for recording totals and identifying fund types in PEPS as well as recording comments.                                | Reimbursement |   |
| 192 | We need a way to analyze the results/success of HCM1 and HCM2 for impact on school financial stability.                                      | Reimbursement |   |
| 193 | We would like to rectify how COD handles schools with Closed or Loss of Eligibility creating a POP situation.                                | Reimbursement |   |
| 194 | We would like to launch an effort to update the PIP procedures for Reimbursement.  | Reimbursement |   |
| 195 | We need a way to rectify how FSA can properly monitor Reimbursement schools on FFEL since Guarantee Agencies are outside of the FSA purview. | Reimbursement |   |
| 196 | There is a need to rectify guidelines of how long schools can remain on reimbursement before losing eligibility.                             | Reimbursement |   |





| #   | Feedback  | Source        | Notes  |
|-----|---|---------------|--|
| 197 | We would like to ensure that institution eligibility information (whether or not the institution is eligible) in PEPS is accurate.  | IPEDS         | Many times, PEPS shows school as eligible when it is not and vice versa. Ex - when school is on month to month recertification (PPA expired) |
| 198 | We would like to ensure that Case Teams make consistent and timely updates to PEPS.   | IPEDS         |  |
| 199 | There is a need to ensure that current and complete award year funding information is dumped into PEPS so that AAA can use this data to do IPEDS fine actions.                                  | IPEDS         |  |
| 200 | The solution should include an enhancement in the PEPS module to automatically alert AAA when schools have not submitted fines within 10, 20, and 30 days.                                      | IPEDS         |  |
| 201 | We would like to have a feedback loop from Finance back to AAA to notify when fine payments are received from institutions.   | IPEDS         |  |
| 202 | There is a need to establish some guidelines for Case Teams on how to treat schools to ensure consistency (whether the school is fined or not).   | IPEDS         |  |
| 203 | We would like to have a system to automate tracking of IPEDS process.   | IPEDS         |  |
| 204 | We would like reporting abilities for schools with fine actions and should include statistical data.  | IPEDS         |  |
| 205 | Puerto Rico schools do not return receipt and do not deliver to PO Box. Puerto Rico schools need to be sent Fed Ex.   | IPEDS         |  |
| 206 | There is a need to be able to enter an effective date for actions that have not yet taken place (e.g., enter into the system today that eligibility is denied effective three months from now). | Other         |  |
| 207 | We would like to include data mining for compliance violations.   | San Francisco | IPEDS surveys, Campus Security, FISAP reports, enrollment reporting - late or non reports and excessive withdrawals/leaves of absence        |



| #   | Feedback  | Source        | Notes   |
|-----|---|---------------|---|
| 208 | We wish we could include screening for litigation purposes.                                       | San Francisco |   |
| 209 | We want the new system to include early warning alerts for triggers.                              | San Francisco | i.e., High percentage of applications are verified w/ no changes. High percentage of AGI = 0. High percentage of applications are verified with many changes. |
| 210 | We need to establish a threshold composite score to flag financial statements (<0)                | San Francisco |   |
| 211 | We would like one central system for all triggers with the ability to pull up all assignments.    | San Francisco |   |
| 212 | The new system should have auto-alerts for notifying case team workers of assignments.            | San Francisco |   |
| 213 | We want a tool that has the capability to control read/write access.                              | San Francisco |   |
| 214 | We want a capability to assign work/assignments to outside regions.                               | San Francisco |   |
| 215 | We would like Case Teams to be provided with the ability to re-assign work.                       | San Francisco |   |
| 216 | We need a simpler process for moving a school from region to region.                              | San Francisco |   |
| 217 | We want the ability to prioritize work that is tasked.  | San Francisco |   |
| 218 | We need the new solution to take into account FOIA issues.  | San Francisco |   |
| 219 | We need the new solution to include 3 years of title IV data.                                     | San Francisco |   |
| 220 | We want an automated way of providing funding info from other programs broken out by fund source. | San Francisco | i.e. JTPA, WIA, Rehab   |
| 221 | We need a way to reconcile the data for funding levels in GAPS, COD, PEPS, etc.                   | San Francisco |   |



| #   | Feedback  | Source        | Notes  |
|-----|---|---------------|--|
| 222 | We want a system that has an automated method to check the corporate status of the school.  | San Francisco |  |
| 223 | We would like guidance as to whether to handle audits/certifications at the corporate level vs. the individual school level.  | Atlanta       |  |
| 224 | We need a procedure for handling the process after close-out audit.   | Atlanta       | Specifically for Closed Schools  |
| 225 | We would like guidance for case team payments of title III and other Title IV schools for which oversight is not provided.  | Atlanta       |  |
| 226 | The new solution should address how to handle procedural issues with Title IV audit findings.   | Atlanta       |  |
| 227 | We want to re-evaluate whether the Risk System should still be a trigger.   | Atlanta       | Risk system is outdated, information is misleading, does not help identify risky schools           |
| 228 | We need a system that includes outside input from guarantee agencies and ensures that school funding information is received on a timely basis.   | Atlanta       | Many agencies are rarely heard from. Yearly funding is not received until late into the next year. |
| 229 | We need a system that includes current loan funding data for all programs (data should be available for previous years as well). There should be an automated link to other systems to obtain this information. | Atlanta       |  |
| 230 | We need a mechanism to control FFEL funding under Reimbursement.  | Atlanta       |  |
| 231 | We would like to include due dates for audits and financials.   | Atlanta       | Should appear in individual's queue.   |
| 232 | We need a way to ensure that GAPS is updated to reflect school's revised campus-based authorization.  | Atlanta       | GAPS is very slow.   |
| 233 | We would like a solution that consolidates the multiple systems required for research.  | Atlanta       | It is difficult to toggle systems - often get kicked out.  |
| 234 | We would like the student's name and SSN listed in the audit.   | Atlanta       | FOIA issues associated with this.  |
| 235 | We would like a system that includes updated deficiency codes.  | Atlanta       |  |



| #   | Feedback  | Source  | Notes   |
|-----|---|---------|---|
| 236 | We need to re-evaluate whether OIG audits should be performed by the Case Management Team.  | Atlanta |   |
| 237 | We need to have clear guidelines and consistency surrounding special projects (non-standard triggers) that are assigned on short notice.  | Atlanta | Ex. GAO, missing audits, default loans, negative balance -- Causes Case Team to reprioritize "on the fly" |
| 238 | We want a solution that provides a way to handle third party transactions that do not have an OPE-ID.   | Atlanta |   |
| 239 | We need a method of tracking turnover of administrators of schools.   | Atlanta | This should be happening in IAM.  |
| 240 | We want a system that includes the date that programs are disapproved on ECAR so that the school will know when the school locations have been disapproved and the program is no longer eligible. | Atlanta |   |
| 241 | We want there to be an identifier within PEPS (or enhance the current ownership tree) that flags common ownership schools.  | Atlanta |   |
| 242 | We want an automatic alert as to applications marked incomplete and the ability to send an electronic notice back to the school to alert them.  | Atlanta |   |
| 243 | We need up-to-date and accurate information on documents sent for review  | Atlanta |   |
| 244 | We need the ability to track work at different levels -- Individual, Team, Sub-team, and cross-region.  | Atlanta | System should document each step in the process flow.   |
| 245 | We want to provide a way to share documented steps cross-region.  | Atlanta |   |
| 246 | We want to include student information for addresses, phone numbers, and IRS information.   | Atlanta |   |
| 247 | We would the system to re-evaluate the data from the direct loan system.  | Atlanta | Data is not in a useful format  |
| 248 | We would like the NSLDS system to be enhanced so that it is more user-friendly.   | Atlanta | Should be web-based, easier to export to Excel  |
| 249 | We would like to address the data integrity issue that occurs when COD feeds all Pell disbursements to NSLDS regardless of whether the school is rejected.  | Atlanta |   |
| 250 | We need to be provided with research guidelines (what should be researched when).   | Atlanta |   |



| #   | Feedback   | Source  | Notes   |
|-----|--|---------|---|
| 251 | We would like the new system to mandate that schools identify what ATB test they are using and provide information regarding testing pattern irregularity associated with ATB. | Atlanta |   |
| 252 | We need to be provided with access to a directory system to locate students to interview.  | Atlanta |   |
| 253 | We need a way to identify students with common names, addresses, phones, or SSNs.  | Atlanta |   |
| 254 | We need updated or clear PIP guidance and a faster response time for policy clarifications from PIP and OGC.   | Atlanta |   |
| 255 | We would like consistency surrounding decision making across teams and regions.  | Atlanta |   |
| 256 | For Distance Ed, we need the demo project to share information that could help other teams.  | Atlanta |   |
| 257 | We need a solution that mandates that policy changes are shared across the organization.   | Atlanta |   |
| 258 | We would like a searchable resource library that includes real-life examples of circumstances / criteria with successful/recommended actions.                                  | Atlanta |   |
| 259 | We would like a national library of generic paragraphs (i.e., for FADs) by finding code and regulatory reference.  | Atlanta |   |
| 260 | We need to move toward Fed Ex tracking of correspondence proof of receipt.   | Atlanta | Current green card method for tracking is outdated and unreliable.        |
| 261 | We would like the new solution to allow for electronic submissions of FADs, FPRDs, Program Review Reports, etc   | Atlanta |   |
| 262 | We need automatic tracking of response due dates.  | Atlanta |   |
| 263 | We need to enable schools to set up generic email account for financial aid office and business office.  | Atlanta | Often, turnover at schools is high - emails to individuals is inefficient |
| 264 | We would like the ability to import electronically generate documents, emails, and screen prints directly into the document management system.                                 | Atlanta |   |
| 265 | We need the capability to send documents to the school gateway mailboxes.  | Atlanta | SAIG - Student Aid Information Gateway                                    |
| 266 | We would like the solution to include training so Case Teams can understand the "legalese" that comes with appeals.  | Atlanta |   |



| #   | Feedback  | Source  | Notes   |
|-----|---|---------|---|
| 267 | We need to look into changing program review guidance so that any findings should be documented in the system.  | Atlanta | Even issues that are resolved before the FPRD stage should be required to be documented.    |
| 268 | We need a method for evaluating whether Technical Assistance is successful.   | Atlanta |   |
| 269 | We would like a system that includes a data element for file review - including analysis across regions identifying when/why used.  | Atlanta |   |
| 270 | We want an automated way to analyze experience data to provide feedback for new triggers.   | Atlanta | e.g., dependency override fraud   |
| 271 | We would like analysis of settlement agreements for success and failures (repeat findings, reinstate fines).  | Atlanta |   |
| 272 | We would like the new solution to analyze trends in findings and generate recommendations.  | Atlanta |   |
| 273 | Atlanta would like another IIS resource.  | Atlanta |   |
| 274 | Atlanta needs additional Spanish-speaking resources.  | Atlanta |   |
| 275 | We want an 'Action' queue that shows all the work in your queue and alerts when there is new work or impending deadlines.   | Atlanta |   |
| 276 | We want a system that tracks all work activities including non-case activities.   | Atlanta | Track work that comes from an informal channel.   |
| 277 | We want the ability to view the transactions "in progress" and the status of these transactions across regions.   | Atlanta |   |
| 278 | We want the new solution to have the capability to report on the number of transactions by date range, including clear descriptions of data elements within the reports (for example, liabilities). | Atlanta | Liabilities could be one of several types.  |
| 279 | We need to examine Pell Grant eligibility requirements and ensure there is follow-through and feedback.   | Atlanta |   |
| 280 | We need to clearly define what documents should be kept in the file folders once the Program Review Report is complete.   | Atlanta |   |
| 281 | We would like guidance as to how long to keep Reimbursement records.  | Atlanta | Shouldn't have to keep it longer than 3 years, however OIG stated must be kept indefinitely |



| #   | Feedback  | Source  | Notes  |
|-----|---|---------|--|
| 282 | We need to stipulate exactly how to categorize documents in Acorde.   | Atlanta | Suggestion - should be chronological   |
| 283 | We would like the new solution to include a re-design of CMIS so that it has the ability to view/print by date range, issues, etc.  | Boston  |  |
| 284 | We need to re-evaluate the IAM risk model. The concept is good, but the data is currently not reliable.   | Boston  | The IAM model indicating school's risk rate is not always accurate - shows school at high risk, when often they are not. Data is not reliable. |
| 285 | We want a way for Case teams to have the flexibility to specify factors into the risk system based on geography.  | Boston  | Different regions have different risk factors.   |
| 286 | We want a method of capturing IIS onsite notes into a system and distributing to case teams.  | Boston  |  |
| 287 | We would like to re-evaluate the criteria and programming for new school inclusion in accelerated recertifications.   | Boston  | Need to re-examine accreditors and name changes.   |
| 288 | We would like the new system to include a link to Nexxus and provide a "breaking news" alert if any schools in the program are in the news.   | Boston  | There were comments that this could be overwhelming.   |
| 289 | We would like a "staff referral" trigger.   | Boston  |  |
| 290 | We want the solution to improve upon the school assessment tool to include automated indicators for high-risk schools (prioritize which schools should be assessed sooner) with links to source data. | Boston  |  |
| 291 | We want a school compliance profile / institutional data view using real-time data.   | Boston  |  |
| 292 | We want the solution to allow team input into eligibility for accelerated recertification.  | Boston  |  |
| 293 | We would like enterprise access - avoid multiple logons/passwords for multiple systems and allow access to systems needed to complete work.   | Boston  | PEPS, GAPS, COD, eCB, NSLDS, Direct Lending, CPS, Draft Default Rates, Perkins Loans default rates (IFAP), FISAP, Receivables                  |



| #   | Feedback  | Source | Notes  |
|-----|---|--------|--|
| 294 | We need to re-examine the information required from state accreditation agencies.   | Boston |  |
| 295 | We want the new system to have varied edits based on accreditor.  | Boston |  |
| 296 | We want a link to each school's website and e-mail address.   | Boston |  |
| 297 | We would like a system that has a flag for schools that IG is looking into.   | Boston |  |
| 298 | We would like a way to notify the Case Team/Management when a case is in progress and a new event occurs (externally or internally) and provide a contact point for this new event. | Boston | i.e., Verifications and unprocessed de-obligations, campus crime/campus security, notification of IPEDS, SSCR, FAT (financial aid transcript) monitoring, default, financial information |
| 299 | We would like the solution to consider a multi-media approach to communication to schools to ensure that we get their attention.  | Boston | Letter, e-mail, phone  |
| 300 | We need to ensure that communication is integrated/coordinated and include a system that can summarize queued events.   | Boston |  |
| 301 | We need access to placement rates/graduation rates.   | Boston |  |
| 302 | We want the new solution to provide an input for misrepresentation  | Boston |  |
| 303 | We want the new solution to enable routing of information to OGC and vice versa.  | Boston |  |
| 304 | We need a centralized system to record and track all assignments for staff, however should be able to easily manually override defaults.  | Boston | Should be fast in performance and high-capacity  |
| 305 | We want the new system to include in the alerts/notifications as to due dates.  | Boston |  |
| 306 | We need rule-based due dates throughout the life of each transaction.   | Boston |  |





| #   | Feedback   | Source | Notes  |
|-----|--|--------|--|
| 307 | We want reports on the different level of activity - at manager and staff level.   | Boston |  |
| 308 | We need additional tools to address default rate issues.   | Boston |  |
| 309 | We would like a customizable capability so that you can choose which data elements you see on screen.  | Boston |  |
| 310 | We need to ensure that compliance issues become part of the workflow - external event triggers should be accommodated in work assignment system.                           | Boston |  |
| 311 | We want the new solution to define and communicate to the regions the definition / difference between Level One and Level Two research.                                    | Boston |  |
| 312 | We need to define business rules for cases to go to sub/full-team meetings - broad guidelines, flexibility for all team sizes.   | Boston |  |
| 313 | We need to ensure that decision and rationale is only entered in one system - one time. The new system needs to accommodate individual, sub-team and team recommendations. | Boston |  |
| 314 | We want the ability to see LOC report by alpha and by reporting dates.   | Boston |  |
| 315 | We would like the ability to capture multiple actions for one decision.  | Boston |  |
| 316 | We need to review the dropdowns menus of reasons in PEPS.  | Boston |  |
| 317 | We want to include a method for capturing the agenda for team meetings that includes decision dates.   | Boston |  |
| 318 | We need a knowledge base of policy decisions and legal interpretations.  | Boston |  |
| 319 | We need a knowledge base of situation circumstances with resulting decision.   | Boston | Concern is that guidelines will become rules |
| 320 | We would like the new solution to include information on rules of use for the system.  | Boston |  |
| 321 | We need a system that manages by cohort.   | Boston | PEPS does not manage by cohort               |
| 322 | We want a tracking system for Letters of Credit from all schools.  | Boston |  |



| #   | Feedback   | Source                  | Notes |
|-----|--|-------------------------|-------|
| 323 | No mechanism to track OIG or Third Party Audits received outside of eZ-Audit | Document Review Session |       |



## 6. Appendix B: Regional Correspondence

This section includes sample correspondence for each of the process areas discussed in this AS-IS analysis. In order to illustrate regional differences, letters for similar functions have been collected from the Atlanta, San Francisco and Boston Offices.

*NOTE: These are actual letters distributed by the regional offices. They contain actual institution data. Do not distribute the contents to anyone outside the department.*

### 6.1. Types of Correspondence

Listed below is a summary of the correspondence by process:

- **Compliance Audit**

Listed below is key correspondence created as a result of the Compliance Audit process.

- Final Audit Determination (FAD) letter
- Rejection Letter
- Audit Issuance Letter
- Delinquency Letter
- Reminder Letter (related to Close-out reporting)
- Letter sent to institution if the Close-out Audit is not submitted by the due date
- Preliminary Audit Determination Letter (PADL)
- Close-out Audit Requirements Letter

- **Technical Assistance**

Listed below is key correspondence created as a result of the Technical Assistance process.

- Letter to institution formalizing technical assistance strategy

- **Closed Schools**

Listed below is key correspondence created as a result of the Closed Schools process.

- Email from CSU analyst requesting information from partners regarding institution closure
- Closed Institution Notification, PDF file, generated from PEPS
- Closeout audit reminder letter, Word document, prepared by DRCC



- **Application**

Listed below is key correspondence created as a result of the Application process.

- Website for initial certification requests
- Recertification notice (i.e. certification set to expire in 6 months)
- Follow-up recertification request notices
- "Loss of Eligibility letter" due to no application received
- Transmittal letter
- Program Participation Agreement (PPA)
- Extension of PPA letter
- Eligibility and Certification Approval Report (ECAR)
- Denial letter
- Approval letter
- Updated approval letter
- Updated acknowledgement letter

Listed below is key correspondence created as a result of the Direct Loans process.

- Message acknowledging the receipt of the application for Direct Loan Program
- Direct Loan Decision Letters
- Change Notice

- **Program Review**

Listed below is key correspondence created as a result of the Program Review process.

- Letter to institution announcing visit (including what materials institution must prepare for review)
- Sample FPRD and corresponding letters (for liability findings, etc)
- Sample EDL
- Inadequate information letter

- **Administrative Actions and Appeals**

Listed below is key correspondence created as a result of the AAA process.

- Correspondence summary Fact Sheet (to give alert notice)
- AAA Action notice to institution

- **Financial Statements**

Listed below is key correspondence created as a result the Financial Statements process.



- Request for Letter of Credit (LOC)
- Zone letter
- Denial letter
- Delinquency letter

- **Reimbursement**

Listed below is key correspondence created as a result of the Reimbursement process.

- Approval Letter
- Denial Letter
- Return to Advance System of Funding Letter
- Reimbursement packets sent to the institutions

- **Miscellaneous Processes**

Listed below is key correspondence created as a result of the Experimental Sites process

- Letter acknowledging receipt of the proposal
- Denial letter – Letter declining the proposal
- Welcome letter – Letter accepting the proposal
- 1<sup>st</sup> extension letter
- 2<sup>nd</sup> extension letter
- Letter confirming institution's withdrawal from experiments

Listed below is key correspondence created as a result of the Quality Assurance process

- Welcome letter
- Denial letter
- Withdrawal acceptance letter (confirming institution's withdrawal from the QA Program)



## 6.2. Samples

The following samples are included in this deliverable.

*Note: Some of these sample correspondence were scanned using Optical Character Recognition (OCR). Therefore, some formatting and fonts may differ from the original.*

|  |     |
|--|-----|
| 1 Compliance Audit: FAD.....                                     | 159 |
| 2 Compliance Audit: Rejection Letter.....                        | 170 |
| 3 Compliance Audit: Delinquency Letter.....                      | 173 |
| 4 Application: Direct Loans: Decision Letter .....               | 175 |
| 5 Application: Direct Loans: Change Notice .....                 | 177 |
| 6 Program Review: Visit Announcement .....                       | 178 |
| 7 Program Review: Site Visit Plan .....                          | 181 |
| 8 Financial Statements: Request for Letter of Credit (LOC) ..... | 186 |
| 9 Financial Statements: Zone Letter .....                        | 191 |
| 10 Financial Statements: Denial Letter .....                     | 201 |
| 11 Financial Statement: Missing Statement.....                   | 203 |
| 12 Reimbursement: Approval Letter .....                          | 205 |
| 13 Reimbursement: Denial Letter .....                            | 208 |
| 14 Reimbursement: Return to Advance of Funding Letter.....       | 214 |



1 Compliance Audit: FAD



UNITED STATES DEPARTMENT OF EDUCATION  
FEDERAL STUDENT AID PROGRAM  
CASE MANAGEMENT DIVISION – SOUTHEAST  
WASHINGTON, DC 20202-5430

Ms. Joyce Meadows  
President  
Georgia Career Institute  
1820 Georgia Highway 20  
Suite 200  
Conyers, GA 30013

Ref: OPE ID--03005400  
ACN: 04-2002-36775

Dear Ms. Meadows:

This letter advises you of our final audit determination concerning the audit report of Georgia Career Institute's administration of the Title IV Federal Student Aid Programs. This report, prepared by Robert C. Holman, Certified Public Accountant covers the period January 1, 2001 through December 31, 2001. Your response to the audit has been reviewed.

The Department has decided to close its review of this compliance audit with the actions identified in each finding. The auditor must comment on all corrective actions and any required actions specified in the attachment to this letter in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668, Subpart G.

Additionally, program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations. Records pertaining to the findings under appeal must also be retained for three years after the Secretary's final decision.



Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call Mr. Charles Thompson of my staff at (202) 377-4221.

Sincerely,

Erin Swanson-Hall, Area Case Director  
Atlanta Case Management Team  
Case Management and Oversight  
Federal Student Aid Programs

Enclosure(s)

cc: Mrs. Rita McMillian, Financial Aid Director  
Council on Occupational Education





Finding 02-01, Refunds/Return of Funds: Late Refund, Page 11

The auditor noted that for two withdrawing students refunds were not paid timely.

Final Audit Determination

34 CFR, 668.22(g) of the Student Assistance General Provisions, requires that an institution must return, in the order specified in paragraph (i) of this section, the lesser of—

- The total amount of unearned Title IV assistance to be returned as calculated under paragraph (e)(4) of this section; or
- An amount equal to the total institutional charges incurred by the student for the payment period of period of in enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student, as described in paragraph (e)(3) of this section.

This return of funds must be made within 30 days of the date of the institution's determination that the student withdrew.

The auditor advises in the audit that the U.S. Department of Education performed a program review of the institution's Title IV programs for the award years 1999-2000 and 2000-2001. The institution was required to identify all refunds for withdrawing students who received funding for those award years and submit the results to the Department. The students identified in this audit were also identified in the program review report. Since the institution has submitted an irrevocable letter of credit equal to 25% of the Title IV refunds as required by Title IV regulations, no liability is assess for this finding in the audit. However, the institution must place greater emphasis to ensure that when students withdraw and it is determined that a refund is due, Title IV funds are returned in a timely manner.

**Template for FADs:****[Letter A: FAD Cover Letter for SFA Audit-WITH Liabilities]**

Audit Control Number (ACN): OPE ID Number:  
Number]

Certified-Return Receipt Requested  
Article

[Dear President

This letter advises you of the Department of Education's final audit determination concerning the audit report of \_\_\_\_\_'s administration of the Title IV Student Financial Assistance Programs. This report, prepared by \_\_\_\_\_, Certified Public Accountants, covers the period \_\_\_\_ through \_\_\_\_\_. We have reviewed the institution's corrective action plan provided with the audit report.

Enclosed is our final audit determination for this audit. Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all of the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit. Repayment instructions for any liability owed to the Department of Education are provided at the end of this letter. Repayment instructions for other liabilities should be obtained from the appropriate party (e.g., a Federal Family Education Loan Program lender.)

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G.

If you elect to appeal to the Secretary for a review of monetary liabilities established by this final audit determination, you must file a written request for a hearing. Your request must be received by the Department no later than 45 days from the date you receive this final audit determination. An original and four copies of the information you submit must be attached to your request. Your request must be sent to:



Mr. David Morgan, Director  
Administrative Actions and Appeals Division  
U. S. Department of Education  
P.O. Box 23800  
L'Enfant Plaza Station  
Washington, D.C. 20026

If sent by overnight mail or courier, please deliver to:

Mr. David Morgan, Director  
Administrative Actions and Appeals Division  
U.S. Department of Education  
Room 3923, ROB-3 (GSA/NCR Building)  
7th and D Streets, S.W.  
Washington, D.C. 20407

Your request must: (1) indicate the findings, issues, and facts you dispute; (2) state the institution's position together with pertinent facts and reasons supporting its position; (3) include any documentation to support your position with auditor verification; and (4) include a copy of this final audit determination letter.

The Department will schedule an administrative hearing in accordance with Section 487(b)(2) of the Higher Education Act of 1965, as amended (HEA), 20 USC 1094(b)(2). The procedures followed with respect to your institution's appeal will be those provided in 34 CFR Part 668, Subpart H.

Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations. Records pertaining to findings under appeal must be retained for three years after the Secretary's final decision.

Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call \_\_\_\_\_ of my staff on ( ) 000-0000.

Sincerely,  
Enclosure(s) cc: Financial Aid Administrator, (name of school)

**[Letter B: FAD Cover Letter for SFA Audit - with NO Liabilities]**

Audit Control Number (ACN):

OPE ID Number:

Dear

This letter advises you of the Department of Education's final audit determination concerning the audit report of \_\_\_\_\_'s administration of the Title IV Student Financial Assistance Programs. This report, prepared by \_\_\_\_\_, Certified Public Accountants, covers the period \_\_\_\_\_ through \_\_\_\_\_. We have reviewed the institution's corrective action plan provided with the audit report.

Enclosed is our final audit determination for this audit. Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all of the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit. ""

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G.

Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations.

Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call \_\_\_\_\_ of my staff on ( ) 000-0000.

Sincerely,

Enclosure(s) cc: Financial Aid Administrator, (name of School)

**[Letter C: FAD Cover Letter for A-133 Audit - WITH liabilities]**

Audit Control Number (ACN): OPE ID Number:  
Requested

Certified-Return Receipt

[Article Number]

Designated Official

Dear :

An organization-wide audit report of \_\_\_\_\_ has been reviewed by the Office of Postsecondary Education, Department of Education. This audit report, prepared by \_\_\_\_\_, in accordance with the Office of Management and Budget Circular A-133, covers the period \_\_\_\_ through \_\_\_\_\_. We have considered the corrective action plan provided with the audit report. This letter advises you of our final audit determination concerning the portions of the audit report that relate to the Title IV Student Financial Assistance programs administered by the Office of Postsecondary Education.

Enclosed is our final audit determination for this audit. Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all of the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit. Repayment instructions for any liability owed to the Department of Education are provided at the end of this letter. Repayment instructions for other liabilities should be obtained from the appropriate party (e.g., a Federal Family Education Loan Program lender.)

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G.

If you elect to appeal to the Secretary for a review of the monetary liabilities established by this final audit determination, you must file a written request for a hearing. Your request must be received by the Department no later than 45 days from the date you receive this final audit determination. An original and four copies of the information you submit must be attached to your request. Your request must be sent to:



Mr. David Morgan, Director  
Administrative Actions and Appeals Division  
U.S. Department of Education  
P.O. Box 23800  
L'Enfant Plaza Station  
Washington, D.C. 20026

If sent by overnight mail or courier, please deliver to:

Mr. David Morgan, Director  
Administrative Actions and Appeals Division  
U.S. Department of Education  
Room 3923, ROB-3 (GSA/NCR Building)  
7th and D Streets, S.W.  
Washington, D.C. 20407

Your request must: (1) indicate the findings, issues, and facts you dispute; (2) state the institution's position together with pertinent facts and reasons supporting its position; (3) include any documentation to support your position with auditor verification and; (4) include a copy of this final audit determination letter.

The Department will schedule an administrative hearing in accordance with Section 487(b)(2) of the Higher Education Act of 1965, as amended (HEA), 20 USC 1094(b)(2). The procedures followed with respect to your institution's appeal will be those provided in 34 CFR Part 668, Subpart H.

Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations. Records pertaining to findings under appeal must be retained for three years after the Secretary's final decision.

Your continued cooperation throughout the audit review process is appreciated. If you have any questions about our review, please call \_\_\_\_\_ of my staff on ( )000-0000.  
Sincerely,

Enclosure(s) cc: Financial Aid Administrator, (Name of School)

**[Letter D: FAD Cover Letter for A-133 Audit - with NO liabilities]**

Audit Control Number (ACN):

OPE ID Number:

Designated Official

Dear :

An organization-wide audit report of \_\_\_\_\_ has been reviewed by the Office of Postsecondary Education, Department of Education. This audit report, prepared by \_\_\_\_\_, in accordance with the Office of Management and Budget Circular A-133, covers the period \_\_\_\_ through \_\_\_\_\_. We have considered the corrective action plan provided with the audit report. This letter advises you of our final audit determination concerning the portions of the audit report that relate to the Title IV Student Financial Assistance programs administered by the Office of Postsecondary Education.

Enclosed is our final audit determination for this audit. Although the enclosure(s) to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all of the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G. Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations.

Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call \_\_\_\_\_ of my staff on ( ) 000-0000.

Sincerely,

Enclosure(s) cc: Financial Aid Administrator, (Name of School)

**[ Repayment Instructions for Liabilities Less than \$100,000]**

ACN: \_\_\_\_\_ Institution: \_\_\_\_\_

**REPAYMENT INSTRUCTIONS**

As a result of our review of the findings in the audit report, the liabilities due directly to the Department of Education are as follows:

[ List finding number(s), page number(s)] - [\$ Liability for finding]

The institution must repay the Department of Education \$ [total liability] with a check made payable to the U. S. Department of Education within 45 days of the date of this letter, mailed to:

USDA - Administrative Collections  
P. O. Box 70792  
Chicago, Illinois 60673

If our collection agency, the National Finance Center (NFC), does not receive your payment within that period, interest will accrue in monthly increments, starting with the day after the date of this letter until the date of receipt at NFC.

Any questions regarding interest accruals or payment credits should be referred to the Administrative Billings and Collections Section of NFC on 1-800-421-0323.

If full payment cannot be made within 45 days of the date of this letter, contact the Financial improvement and Receivables Group on (202) 401-1450 to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
Financial Improvement and Receivables Group  
600 Independence Avenue, SW  
FB-1 OB, Room 3400  
Washington, DC 20202-4330

If payment is not received in accordance with the above instructions, the Department of Education may collect the amount due and payable by administrative offset against payments due your organization from the Federal Government. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

The following identification data applies to this repayment and must be written on your check and accompanying documents. Amount: \$ EIN: ACN:

[If appropriate include the following paragraph.]

The institution must also refund \$ [total] to [Federal Family Education Loan Program lenders] or [Perkins Loan Fund]. Payment instruction for those liabilities should be obtained from the appropriate lender



**[ Repayment Instructions for Liabilities of \$100,000 or more.]**

ACN: \_\_\_\_\_ Institution: \_\_\_\_\_

REPAYMENT INSTRUCTIONS As a result of our review of the findings in the audit report, the liabilities due directly to the Department of Education are as follows:

[ List finding number(s), page number(s) ] - [\$ Finding amount(s)]

The total liability due to the Department of Education is \$ , which must be made by electronic transfer of funds through the Treasury Financial Communications System. This system, known as FED WIRE, is handled for the Department of Education by the Department of Agriculture's National Finance Center (NFC) in New Orleans. You must request your bank to transmit the repayment to NFC through FED WIRE via the Federal Reserve Bank in New York. If your bank does not maintain an account at the Federal Reserve Bank, it will utilize the services of a correspondent bank when making payments through FED WIRE.

Any liability of \$100,000 or more for a prior award period assessed as a result of the audit review or program review process (except for most instances under the Perkins Loan Program) must be repaid to the Department of Education via FED WIRE. We are unable to accept any other mode of payment in satisfaction of these liabilities.

Instructions for completing the electronic fund transfer message format are enclosed. The repayment must be accomplished within 45 days of the date of this letter. If payment is not received at the NFC within that period, interest will accrue in monthly increments, starting with the day after the date of this letter, until the date of receipt at NFC.

Any questions regarding interest accruals or payment credits should be referred to the Administrative Billings and Collections Section of NFC on 1-800-421-0323.

If full payment cannot be made within 45 days of the date of this letter, contact the Financial Improvement and Receivables Group on (202) 401-1450 to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
Financial Improvement and Receivables Group  
600 Independence Avenue, SW  
FB-1 OB, Room 3400  
Washington, DC 20202-4330

If payment is not received in accordance with the above instructions, the Department of Education may collect the amount due and payable by administrative offset against payments due your organization from the Federal Government.

This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

The following identification data is applicable to this repayment and must be written on all accompanying documents.

Amount: \$

EIN:

ACN:

[If appropriate include the following paragraph.]

The institution must also refund \$ [total] to [Federal Family Education Loan Program lenders] or [Perkins Loan Fund]. Payment instruction for those liabilities should be obtained from the appropriate lender.



## 2 Compliance Audit: Rejection Letter

«Date»

**OPE ID: «OPEID»**

**ACN: «ACN»**

«Sal» «ConFname» «ConMI» «ConLName»

«ConTitle»

«SchoolName»

«Ad1»

«Ad2»

«City», «State» «Zip»

Dear «Sal» «ConLName»:

We have received the report prepared by your auditor concerning your institution's administration of the Title IV Student Financial Assistance Program(s) for the period(s) ending «PeriodEndDate1» (and «PeriodEndDate2»). We have determined that the report does not satisfy the requirements of Section 668.23 of the Student Assistance General Provisions regulations and the January 2000 revision to the Education Department Audit Guide, Compliance Audits (Attestation Engagements) of the Federal Student Financial Assistance Programs at Participating Institutions, for the following reason(s), marked with an **X**.

- ☐ The report was not prepared in accordance with the January 2000 revision to the Audit Guide.
- ☐ Although the audit report references use of the January 2000 revision to the Audit Guide, the report is not in compliance with the requirements of that Guide. Please revise according to the specifications shown in the Audit Guide.
- ☐ The report did not clearly identify the programs and/or periods audited.
- ☐ The Department of Education records show that the institution also participated in the \_\_\_\_\_ Program(s); however, the audit report does not reflect audit coverage of this/these Program(s).
- ☐ The report covered more than one award period. (See the Dear Colleague Letter that accompanied the January 2000 revision to the Department of Education Audit Guide, Compliance Audits [Attestation Engagements] of the Federal Student Financial Assistance Program at Participating Institutions).
- ☐ The report covered an incorrect audit period. (See page I-3 of the January 2000 revision to the Audit Guide.)
- ☐ The auditor/firm must comply with applicable licensing requirements of the public accountancy laws of the state in which the institution is authorized/licensed to perform \_\_\_\_\_ audits in the state of \_\_\_\_\_.
- ☐ The report did not include an auditor information sheet, or the auditor information sheet is incomplete. (See Example C of the January 2000 revision to the Audit Guide)



- ☐ The report did not disclose use of Government Auditing Standards.
- ☐ The audit did not list all of the management assertions required under the January 2000 revision to the Department of Education Audit Guide (see Section II of the January 2000 revision of the Audit Guide).
- ☐ The report did not include an adequate Schedule of Findings and Questioned Costs (see Example F of the January 2000 revision to the Audit Guide) listing the:
- ☐ Universe and Sample data do not include all of the elements described in Example F
  - ☐ Failure to provide definition of material noncompliance
  - ☐ Failure to fully develop findings
    - ☐ Failure to provide Information on all Noncompliance Findings
    - ☐ The findings did not reflect the Schedule(s) A, B, and/or C.
    - ☐ Schedules A, B, and/or C were not included
    - ☐ Student List not included

If there were no findings please indicate "none", etc. on the Schedule of Findings and Questioned Costs.

- ☐ The sample size is inconsistent with the definition of material noncompliance submitted, or no definition applicable to the schedule was submitted. If the auditor determines that material noncompliance exists based on the initial sample, the sample must be expanded to evaluate statistically the projected error rate (see Section I of the Audit Guide).
- ☐ The report did not address the status of prior year findings (see example G).
- ☐ There were findings of noncompliance; however, the report did not include a Corrective Action Plan (CAP) or the CAP was unsigned.
- ☐ The closeout report did not list all bank accounts that could have Title IV funds in them.
- ☐ The audit was not an official copy because it was labeled a draft, was not on official stationary, was not signed and/or was not dated.
- ☐ The report did not include a servicer information sheet or the audit contained an incomplete servicer information sheet. (See Example C-1 of the January 2000 revision to the Audit Guide) If the institution does not use a servicer, make a statement to that effect.
- ☐ (Other)\_\_\_\_\_.

The institution should note that until acceptable reports of its Title IV Federal Student Financial Assistance Programs are received it is not in compliance with Section 668.23 of the Student Assistance General Provisions regulations. Failure to comply with Section 668.23 could result in penalties noted in Subpart G - Fine, Limitation, Suspension and Termination Proceedings of the regulations. Your immediate attention to this matter is greatly appreciated.

**Please request your auditor to review these areas and forward 4 copies of the revised audit reports along with a copy of this letter within 30 days to:**

**U.S. Department of Education  
Institutional Participation and Oversight Division  
Data Management and Analysis Division**



**Document Receipt and Control Center**  
**830 First St. N.E.**  
**Room 7111**  
**Washington, DC 20002-5402**

A copy of the January 2000 revision to the Audit Guide, if necessary, may be obtained by visiting <http://www.ed.gov/offices/OIG/nonfed/sfa.htm>. If you have a question about why your submission is incomplete, please contact a Document Receipt and Control Center representative at **202-377-3750**.

Thank you for your cooperation.

Sincerely,

Sherry Quade  
Document Receipt and Control Center  
Data Management and Analysis Division/CMO

Enclosure

CC: «SchoolName» Financial Aid Administrator  
«CPAFirmName»  
Area Case Director, «CaseTeam» Case Team  
Hugh Monaghan, Office of Inspector General for Audit



### 3 Compliance Audit: Delinquency Letter

May 27, 2003

Ms. Elnora M. McCoggle  
Financial Aid Director  
Central Florida Community College  
3001 SW College Road  
Ocala, FL 34474-4415

**CERTIFIED WITH RECEIPT**  
**Z 306 957 114**

**REF: OPE ID--00147100**  
**ACN: 04-2002-38214**

Dear Ms. McCoggle:

I am in the process of reviewing the audit of Central Florida Community College's administration of the Federal student aid programs covering July 1, 2001 through June 30, 2002. To complete my review, I will need additional information from the College as indicated below:

Finding Number 02-084, Page 142

The auditor reviewed the records for 15 students who had officially withdrawn from school and received Title IV funds. The auditor noted that the institution either did not calculate or incorrectly calculated the amount of unearned Title IV funds for five students. Questioned costs totaled \$404.

**Requirement**

34 CFR 668.22 instructs an institution to perform return to Title IV calculation in accordance with applicable requirements. It is noted that subsequent to auditor inquiry, \$191 of the questioned costs was returned to subsidized Federal Direct Loan (FDL) and \$92 was returned to the Federal Pell Grant programs. This leaves a balance of \$20 and \$101 owed to subsidized FDL and Federal Pell, respectively. However, the auditor has identified five out of 15 incorrect refund calculations resulting in an error rate of 33.3%. The auditor has identified the cause of the incorrect calculations to be that institution personnel used the incorrect withdrawal date in calculating the number of days to determine the percentage of Title IV funds earned. Therefore, Central Florida Community College must conduct a full file review for all students that withdrew during the period July 1, 2001 to June 30, 2002 and identify any additional incorrect refund calculations. Please provide a copy of the correct and incorrect refund calculation worksheet, and documentation of any refunds that have been completed.



The auditor also noted in Finding 02-084, Page 142, that three of the five students with incorrect refund calculations, and one additional student, of which refunds were not made timely. These students were not notified of the grant overpayment, or overpayments were not timely reported to the NSLDS. The auditor's sample results in an error rate of 46.67% for untimely refund (four out of 15). When refunds are made untimely, the Department of Education incurs unnecessary interest costs on these funds. Late refunds also deprive other needed students access to these funds. Therefore, Central Florida Community College must conduct a full file review to determine if refunds were completed timely. For each refund made late, please provide the student's name and social security number, the refund amount, the due date and date the refund was completed. Provide this information in an Excel Spreadsheet format.

The information requested above must be sent via overnight delivery and received by June 30, 2003 at the address provided below.

U.S. Department of Education  
Southeast Case Management Division  
FSA/Schools Channel  
830 First Street, NE, Room 72A4  
Washington, DC 20002-5267  
ATTN: Charles Thompson

Feel free to provide information on any other finding that you feel will assist us in resolving the findings cited in the audit report. If you have any questions regarding this letter, please call me at (202) 377-4221. Your cooperation is appreciated.

Sincerely,

Charles L. Thompson  
Audit Resolution Specialist  
Atlanta Case Management Team, DC

cc: Dr. Charles R. Dassance, President



#### 4 Application: Direct Loans: Decision Letter

From Dietz, Daniel:  
Sent: Monday, January 27, 2003 2:21 PM  
To: 'blhoovermd@conversent.net' Seastrom, Ralph; Torpey, Rosemary;  
Hemelt, Barbara; Sola, David; Ellis, Ja-mel; Hunter, Kelly;

Subject: DIRECT LOAN DECISION/FUNERAL INSTITUTE OF THE  
NORTH EAST/OPE 033164

Dear Mr. Hoover:

This is a follow-up to our previous email correspondence regarding your request for a change in the Direct Loan Program origination status of Funeral Institute of the North East/OPE 033164. The institution is currently participating in the Direct Loan Program as an Option 1 school, and you have requested a change to Option 2.

I've selected the institution for Option 2.

Please note that this email notification is but one part of the process in changing the Direct Loan status for Funeral Institute of the North East. Other procedural steps must now be undertaken by the Department, and so it may take several more business days before the Department officially changes the school to an Option 2 Direct Loan participant. Thank you for your patience and understanding during this period.

For your reference, I'm attaching an Option 2 Statement of Origination, a Direct Loan Client Account Management (CAM) regional office address and phone list, and a Direct Loan Options Fact Sheet. I recommend that your office keep a copy of this email (and its attachments) for future reference.

Please note that with the implementation of the Common Origination & Disbursement (COD) system, some of the matters discussed in the attachments are no longer valid. When new documents are made available, future notices such as this will contain updated information. In the meantime, the attached documents may be helpful as a point of reference.

Thank you for your interest in the Direct Loan Program.

Sincerely, Dan Dietz

STATEORG-2.doc DL Origination Fact CAMregionaloffices  
Sheetdoc



## STATEMENT OF ORIGINATION - OPTION 2

Participating at Option 2 will enable your institution to perform the following duties:

- Determine borrower eligibility and loan amounts
- Create and transmit loan origination records to the Loan Origination Center
- Conduct entrance counseling and exit interviews
- Prepare promissory notes (note: you may choose to have the Loan Origination Center print promissory notes)
- Obtain completed and signed promissory notes from the borrowers
- Review promissory notes and return to borrower for corrections if necessary
- Transmit promissory notes to the Loan Origination Center
- Determine funding needs
- Initiate drawdown of funds
- Receive funds electronically
- Disburse funds to borrowers
- Report actual disbursements, cancellations and adjustments
- Return excess cash
- Create a disbursement record
- Transmit the disbursement record to the Loan Origination Center
- Reconcile cash and detail records on a monthly basis
- Complete Student Status Confirmation Reports





**5 Application: Direct Loans: Change Notice**

Date: April 3, 2003 From: Kelly Hunter  
Subject: Change Notice

**AMENDMENTS RECEIVED.**

New School Amendments: 035383 Alexandria School of Scientific Therapeutics  
Alexandria, IN - Standard/Non-Reimburse mem - eff  
04/02/03

036643 LA LAN 2000 Computer Training Center Los  
Angeles, CA - Stand and/Non-Reimbursement - eff  
04/02/03

Other: None

ERROR CORRECTIONS- None

**OPTION CHANGES**

Opt/on Changes:  
031018 Illinois Center for Broadcasting, Lombard IL -  
Option 1 to Option 2 - eff. 04/02/03  
030780 Ohio Center for Broadcasting, Cincinnati OH -  
Option 1 to Option 2 - eff. 04/02/20 03 Reimbursements/ Non

Reimbursements: None

**LOSSES:**

Change-In-Ownership: None  
Closures'. None  
Emergency Actions: None  
FFEL Loss: None  
Loss of Accreditation: None  
Merger/Consolidation: None  
Terminations: None  
Withdrawal from Direct Loan Program- None  
Title IV Loss: None



## 6 Program Review: Visit Announcement

March 25, 2003

Ms. Marilyn W. Bey  
President  
Crescent Cosmetology University  
2312 West Mercury Boulevard  
Hampton, VA 23666-3115

OPE ID: 03455300  
Certified Mail  
XXXX XXXX XXXX XXXX XXXX

**Return Receipt Requested**

Dear Ms. Bey:

This letter constitutes our written request to the officials of Crescent Cosmetology University for access, beginning April 8, 2003, to your HEA records, staff and students, so that Mr. Robert Gelfand and Mr. Fred Wynn, Institutional Review Specialists, can conduct a program review of your institution's administration of the Title IV Student Financial Assistance programs. The regulatory authorities for this visit are cited below.

34 CFR Section 668.24(d)(2) "An institution shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representatives."

34 CFR Section 668.24(f)(1) "An institution that participates in any Title IV, HEA program and the institution's third party servicer, if any, shall cooperate with an independent auditor, the Secretary, the Department of Education's Inspector General, the Comptroller General of the United States, or their authorized representatives, a guaranty agency in whose program the institution participates, and the institution's accrediting agency, in the conduct of audits, investigations, program reviews, or other reviews authorized by law."

34 CFR Section 668.24 (f)(2) "The institution and servicer must cooperate by - (ii) Providing reasonable access to personnel associated with the institution's or servicer's administration of the title IV, HEA programs for the purpose of obtaining relevant information."

Failure to provide this access to the program reviewers will result in the Department of Education taking administrative action against the institution. This action may include, but is not limited to: the limitation, suspension or termination of the institution's participation, pursuant to 34 CFR Part 668, Subpart G.

-1 of 3-



The Program Review Team will arrive at approximately 9:00 AM on Tuesday, April 8, 2003.

The program review will encompass the administration of the Title IV student financial assistance programs included in your Program Participation Agreement, and will evaluate the following areas:

- General institutional eligibility and program administration,
- Student eligibility,
- Student financial aid records,
- Registrar records (including attendance and academic record), and
- Fiscal administration and records (including bank statements, ledgers and journals).

The initial focus of the review will cover your institution's administration of Title IV funds for the 2001-2002 and 2002-2003 award years. All records requested by the reviewers pertain to those years, unless otherwise noted.

Please inform the personnel responsible for the areas listed and such other persons as you deem appropriate of the scheduled review so that they, or their designees, and the appropriate records would be available during the review. At the start of the review, the reviewers will meet with institutional officials to apprise them of the review process.

At the conclusion of the review, the reviewers will meet with you or your designee(s) to discuss the findings and recommendations. You will receive an official written report at a later date.

We request your assistance in expediting the review process by sending us two (2) copies each of your most recent school catalog and catalogs for the years under review.

Please send the catalogs to:

U.S. Department of Education  
Office of Case Management and Oversight  
830 First Street NE  
Room 72A3 UCP  
Washington, DC 20002  
ATTN: Fred Wynn

Depending upon the programs in which your institution participates, we request that the following records or documents be assembled in advance of the visit so that they are immediately available for examination by the reviewers at the start of the review.

1. Organizational chart for all divisions and campus sites, including the names and phone numbers of administrators, officers, managers, and staff responsible for the administration of the Title IV programs.
2. Ability to benefit test, answer key, passing score, and the dates the test was in use (if applicable).
3. Fiscal Operations Report and Application to Participate (FISAP), with supporting documentation.
4. Most recent compliance audit.
5. Percentage of current students enrolled receiving Federal assistance.



6. Student status confirmation reports filed for the 2001-02 and 2002-2003 award years.
7. A complete set of fiscal records for financial aid, including a chart of accounts, general ledger and subsidiary ledgers, including lists of disbursements to students.
8. Original canceled checks, bank statements, deposit slips, checkbook or check roster and any back up documentation for cash request to ED Payments (EDPMTS) or Education Central Automated Processing System (EDCAPS).
9. Federal Pell Grant Program Institutional Payment Summaries (IPS), and Statements of Accounts (SOA) and Recipient Financial Management System (RFMS) data.
10. Policies and procedures manual pertaining to the administration of Title IV programs.
11. Sample FSA forms used by your institution in operating its aid programs, such as any institutional applications for aid, contract/enrollment agreements and admission applications, tuition account cards, institutional verification forms, and student certification forms.
12. Sample worksheets used for administering Title IV funds, such as refund calculation worksheets, FFEL proration worksheets, etc.
13. Cost of attendance budgets for all programs offered by the institution.
14. Copies of academic program approval notices issued by the state education department for each course offered by your school.
15. A copy of the latest letter issued by your accrediting body evidencing the accredited status of your school.
16. Copies of any contracts with third party servicers (e.g. financial aid, Perkins, ATB tester, etc.).
17. Type of software programs, if any, used in administering Title IV.
18. A copy of the institution's program participation agreement (PPA) and Eligibility and Certification Approval Report (ECAR).
19. Copies of the institution's most recent audited financial statements.
20. Refund repayment and refund distribution policies and satisfactory academic progress standard.
21. A copy of the institution's Campus Security Reports for the years under review.
22. Copies of any rules or regulations of your accrediting or licensing bodies.

Reviewers will provide a listing of students who received Title IV funds at your institution. For each of those students, the school must provide all academic, financial aid, and disbursement records which document the students' eligibility for, and receipt of, Title IV funds.

Additional records may be requested at the onset, and during the review as needed. These records may not be limited to the award years specified above. We will do our best to ensure that this visit is conducted as expeditiously as possible.

If you have any questions, please call Mr. Wynn at 202-377-4215. Thank you for your cooperation.

Sincerely,

John S. Loreng  
Team Leader

cc: Mr. Akhenaton AnkhUnu-El, Financial Aid Administrator



## 7 Program Review: Site Visit Plan

ECPI College of Technology  
Virginia Beach, VA  
OPE ID # 01019800

### Site Plan

Review Team: Nancy Della Vecchia and Fred Wynn  
Site Visit Dates: May 19 – 24, 2003  
Review Type: Survey  
Date Submitted: May 2, 2003

#### I. Reason for Review

ECPI College of Technology was selected for review based upon a risk analysis of findings contained within the institution's annual compliance audits for the last several years. Specifically, the institution's 2000, 2001 and 2002 audits all contained Late Return of Title IV/refund findings. Additional factors for the decision to conduct a program review include the institution's funding, which has increased from approximately \$11 million during the 2000-01 AY to over \$14 million in 2002-03. Finally, there is no record of an ED program review at ECPI.

#### II. Program Review Approach/Objectives

The review team will conduct a standard survey review, with specific attention to the areas mentioned above. The review team's objectives are to determine the following:

Does the institution have sufficient management, personnel, policy, and system resources to capably administer the Title IV, FSA programs?

Has the institution made the necessary investments in new staff and/or equipment to enable it to effectively administer the Title IV, FSA programs during a period of substantial funding growth?

Does the institution adhere to applicable statutes and regulations regarding student and program eligibility?

#### III. Program Review Select Items

The review team will review institutional records from the 2000-01 and 2001-2002 award years. The team will select a statistical sample of 30 student files – 15 from each award year. The team will review the files, focusing on the following core items:



- A. **Student Eligibility** – The review team will assess if all students in the sample meet the following criteria:
1. Student is a regular student of a postsecondary institution [34 CFR 668.32 and 34 CFR 600, Subpart A];
  2. Student is not incarcerated [34 CFR 668.32];
  3. Student is enrolled or accepted for enrollment as at least half-time in an eligible program (less than half time for Pell and campus based is permitted) [34 CFR 668.32];
  4. Student is not enrolled in an elementary or secondary school [34 CFR 668.32];
  5. Student is a U.S. citizen or an eligible non-citizen [34 CFR 668.33 and 668.130-139];
  6. Student has a valid Social Security number [34 CFR 668.36];
  7. Student has financial need (as defined) [34 CFR 668.32];
  8. Student has total financial assistance that does not exceed financial need [34 CFR 673.5 and 673.6];
  9. Student is not in default on any Federal student loans [34 CFR 668.32 and 668.35];
  10. Student is admitted with a high school diploma or the recognized equivalent [34 CFR 668.32];
  11. Student has provided all necessary information to satisfy verification [34 CFR 668.54];
  12. Student is maintaining satisfactory academic progress [34 CFR 668.16 (e) and 668.34]; and
  13. Entrance and exit counseling has been conducted. [34 CFR 685.304 (a) and (b)].
- B. **Disbursements** – The review team will verify that the following criteria were met for all students in the sample:
1. The review team will verify that the institution DID:
    - a) properly resolve all comments on ISIR prior to the disbursement of Title IV aid;
    - b) credit a student's account only for allowable charges [34 CFR 668.164];
    - c) pay credit balances within 14 days, unless otherwise authorized [34 CFR 668.164];
    - d) maintain appropriate written authorization from the student or parent to maintain credit balance funds [34 CFR 668.165]; and
    - e) notwithstanding any student or parent authorization, pay any remaining loan balance by the end of the loan period and any other remaining SFA funds by the end of the last payment period [34 CFR 668.165].



- a. The review team will verify that the institution properly certified Federal loans, in accordance with the following:
  - D. loans were certified for an appropriate loan period [34 CFR 682.603];
  - E. loans were not certified in excess of need [34 CFR 682.603];
  - F. loan amounts were correctly certified (subsidized vs. unsubsidized) [34 CFR 682.301];
  - G. students were not on a LOA at time of disbursement [34 CFR 682.604];
  - H. the first installment of a loan was not disbursed until 30 days after the first day of classes [34 CFR 682.604 and 685.303]; and
  - I. all loan funds were disbursed to students within 30 days of receipt at the institution, or returned to the lender [682.207 and 682.204]; and
  - J. the school can document PLUS loan denials for dependent students with unsub loans [34 CFR 682.201].
- b. The review team will verify that the institution properly calculated and disbursed Federal Pell Grant awards, in accordance with the following:
  - D. the student's enrollment status [34 CFR 690.8];
  - E. the student's EFC [34 CFR 690.13 and 690.62];
  - F. the length of the student's program of study [34 CFR 690.63]; and
  - G. do not make a second or third disbursement until the student has completed the prior payment period [34 CFR 690.75]; and
  - H. credit a student's account more than 10 days before the first day of class [34 CFR 668.164].



- C. Refunds/R2T4** – The reviewers will conduct the following tests to determine if required refunds have been made, as well as to determine the timeliness of the refunds.
1. Analyze the school's refund/R2T4 policy and practices. Review the files of all withdrawn students who appear in the sample, for the accuracy of the following:
    - a) Last Date of Attendance (this will require a review of the students' attendance records) [34 CFR 668.22];
    - b) Date of Determination (this will require a review of the institution's attendance policies) [34 CFR 668.22 and 682.305];
    - c) Refund Calculation [34 CFR 668.22];
    - d) Order of Refunds [34 CFR 668.22];
    - e) Documentation that refund was made (this will require a review of cancelled checks and bank statements, as well as any other documentation the institution provides) [34 CFR 668.22]; and
    - f) Timeliness of refund [34 CFR 668.22 and 682.607].
  - 3.
  4. Check for proper reporting of the withdrawn students' status.
  5. SSCR [34 CFR 682.610 and 685.309];
  6. Negative disbursement records submitted to RFMS (if applicable) [34 CFR 690.83]; and
  7. Notification to student of refund processed [34 CFR 685.306].
- D. Fiscal** – The review team will conduct the following tests to determine the institution's compliance with the Cash Management regulations.
2. Obtain Award History Report from GAPS for the Federal Pell Grant, Federal Work-Study, and FSEOG programs for the two award years under review.
  3. Select a minimum of one (1) draw for each program. Additional draws will be analyzed as time permits.
  4. Obtain supporting documentation for all selected draws. This includes: bank statements, lists of students to whom funds were disbursed, and student statements of account to verify disbursement.
  5. Ensure that all funds were disbursed to students within 3 days of the receipt of those funds [34 CFR 668.166].
  6. Ensure that the institution reconciles its internal accounting records regarding the receipt and disbursement of Federal Pell Grant funds. [General Cash Management/PPA Regulations]



**E. Campus Security** – The review team will perform the following:

1. Review the most recent copy of the institution's Annual Campus Security Report and compare it with the statistics posted on the OPE Campus Security website [34 CFR 668.46].
2. Interview the person designated as responsible for the compilation of the report [34 CFR 668.46]
3. Review the distribution of the report to students, employees, and prospective students [34 CFR 668.41]

**F. FSEOG program**

- a. Award policy – verify Pell eligibility and low EFC of all FSEOG recipients [34 CFR 676.10]
- b. Award amounts – verify all FSEOG awards are between \$100 and \$4000 for 2000-01 and 2001-02 [34 CFR 676.20]

**G. FWS program**

1. Review files for all required documentation
  - a) Award amounts [34 CFR 675.16]
  - b) FWS positions/employers [34 CFR 675.20, 22, 23]
  - c) Hourly wage amounts [34 CFR 675.24]
  - d) Form I-9 verifying status to work legally in the United States [34 CFR 675.9; 668.33]
  - e) Copies of payroll checks [34 CFR 675.16]
2. FWS award policy [34 CFR 675.10]

Plan Approved : \_\_\_\_\_

Date: \_\_\_\_\_

**8 Financial Statements: Request for Letter of Credit (LOC)****Atlanta Office Sample:**

**UNITED STATES DEPARTMENT OF EDUCATION  
FEDERAL STUDENT AID  
CASE MANAGEMENT & OVERSIGHT  
ATLANTA CASE TEAM  
UNION CENTER PLAZA 3  
830 FIRST STREET, N.E.  
7<sup>TH</sup> FLOOR, ROOM 72A2  
WASHINGTON, DC 20202-5430**



Mr. Scott Fields  
President  
Carolina Beauty College  
801 English Road  
High Point, NC 27262-6817

Dear Mr. Fields:

**OPE ID: 02286300**

To begin and to continue to participate in any Title IV, HEA program, an institution must demonstrate to the Secretary that the institution is financially responsible under the requirements established in 34 CFR 668 Subpart L—Financial Responsibility. In accordance with these requirements, the Atlanta Case Team has completed its review of the June 30, 2002 audited financial statements representing Carolina Beauty College (Institution).

The Atlanta Case Team's review of the Institution's financial statements in accordance with Federal Regulation 34 CFR 668.171 disclosed that the Equity, Primary Reserve and Net Income ratios yield a composite score of 0.1 out of a possible 3.0. This is a violation of the general standards of financial responsibility as defined in 34 CFR 668.171(d).

In view of the Institution's failure to meet the standards of financial responsibility and based on the total amount of Title IV, HEA funds utilized by Carolina Beauty College, the Institution may continue to participate in the Federal Title IV programs by choosing one of two options.

- **OPTION 1 – Letter of Credit Alternative** [34 CFR 668.175 (c)]: The Institution may submit an irrevocable letter of credit in the amount of **\$1,132,575**. This amount represents 50% of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year. By choosing this option, the Institution demonstrates it is fiscally responsible, and therefore, would remain under the advanced funding payment method.

-1 of 2-



- **OPTION 2 – Provisional Certification Alternative** [34 CFR 668.175 (f)]: The Institution may submit a smaller irrevocable letter of credit in the amount of **\$226,525** and be provisionally certified. This amount represents 10% of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year. By choosing this option, the Institution would be required to make disbursements under the cash monitoring payment method as described in 34 CFR 668.162(e)(1). Upon receipt of the letter of credit, the Atlanta Case Team would proceed to issue a new Provisional Program Participation Agreement that specifies requirements identified with the letter of credit condition. By choosing this option, the institution acknowledges that it has not met the Department's standards of financial responsibility.

The irrevocable letter of credit must be made payable to the Secretary, U.S. Department of Education (Secretary). The letter of credit is necessary in the event that the Institution would close or terminate classes at other than the end of an academic period. It assures the Secretary that funds would be available from which to make refunds, provide teach out facilities or meet institutional obligations to the Department. A sample copy of an irrevocable letter of credit is enclosed. Please have your lending institution follow the sample wording without deviation on its official stationery. The letter of credit must provide coverage for a period of at least one year. The Atlanta Case Team must receive the irrevocable letter of credit prior to the close of business thirty (30) days from the date of this letter or by **May 25, 2003**.

Failure to submit the irrevocable letter of credit by the due date will result in the referral of the institution to the Administration Actions and Appeals Division for termination and/or other administrative action under 34 CFR 668.86.

Please have your lending institution mail the irrevocable letter of credit by overnight mail/courier delivery to the following address.

U.S. Department of Education  
Case Management & Oversight  
Atlanta Case Team  
Union Center Plaza 3  
830 First Street, N.E.  
7<sup>th</sup> Floor, Room 72A2  
Washington, D.C. 20002  
ATTN: Ms. Toni K. Gaines

If you have any questions regarding this matter, you may contact Ms. Toni K. Gaines, Senior Financial Analyst at 202-377-4220. The fax number for this office is 202-275-5595.

Sincerely,

Angela Torruella  
Director

Enclosures

cc: Data Management and Analysis Division, DRCC  
Toni K. Gaines, Senior Financial Analyst, Atlanta/DC Case Team  
Trish McAlister, Single Point-of-Contact, Atlanta/DC Case Team  
Accrediting Council for Independent Colleges and Schools

**San Francisco Office Sample:**

<PRESIDENT>  
<NAME OF SCHOOL>  
<ADDRESS>  
FIRST CLASS CERTIFIED MAIL  
**RETURN RECEIPT REQUESTED**

**RE: Financial Responsibility Requirements**  
OPEID#

Dear :

The San Francisco Case Team ("Team") of Case Management & Oversight, Federal Student Aid, has completed its review of <NAME OF SCHOOL>'s audited financial statements for the year ended <DATE>. The review was conducted in conjunction with the Team's annual financial statement review regarding the Institution's eligibility to participate in the Higher Education Act of 1965, as amended, (HEA) Title IV programs.

The Team's review of the Institution's financial statements in accordance with Federal Regulation 34 CFR 668.171 disclosed that the Equity, Primary Reserve and Net Income ratios yield a composite score of <n.n> on a scale of -1.0 to 3.0. A minimum score of 1.5 is necessary to qualify as a financially responsible institution. Accordingly, the Institution fails to meet the standards of financial responsibility outlined in Federal Regulations 34 CFR 668.171, subpart L. A copy of the current financial responsibility regulations is enclosed for your convenience.

In view of the Institution's failure to meet the financial responsibility standards, the Institution may continue to participate in the Federal Title IV programs by choosing one of the following alternatives:

1. Letter of Credit Alternative [34 CFR 668.175(c)]

Under this alternative the Institution is required to submit an irrevocable letter of credit in the amount of <\$\$\$\$\$>. This amount represents approximately 50% of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year. By choosing this option, the Institution demonstrates it is financially responsible; therefore, it would remain eligible to participate in the Federal Title IV programs under its current Program Participation Agreement.

2. Provisional Certification Alternative [34 CFR 668.175(f)]

This alternative allows the Institution is to post a smaller letter of credit in the amount of <\$\$\$\$\$> and be provisionally certified for a period of no more than three years. It must comply with all of the requirements specified in the regulations, 34 CFR 668.175(f) and 34 CFR 668.162, including the disbursement of Title IV program funds under the reimbursement payment method (*or cash monitoring 1 or 2*). The amount of the LOC represents 10% of the Title IV, HEA program funds received by the Institution during its most recently completed fiscal year. Upon receipt of the LOC, the Case Team would proceed to issue a new Provisional Program Participation Agreement that specifies requirements identified with the LOC condition. By choosing this option, the institution acknowledges that it has not met the Department's standards of financial responsibility.

The irrevocable letter of credit, must be made payable to the Secretary, U.S. Department of Education (Secretary). The letter of credit is necessary in the event that the Institution would close or terminate classes at other than the end of an academic period. It assures the Secretary that funds would be available from which to make refunds, provide teach out facilities or meet institutional obligations to the Department.



A sample copy of an irrevocable letter of credit is enclosed. Please have your lending institution follow the sample wording without deviation. The letter of credit must provide coverage for a period of at least one year. The San Francisco Case Team must receive the irrevocable letter of credit prior to the close of 45 calendar days from the date of this letter. Please note that if the Institution fails to provide the irrevocable letter of credit within 45 calendar days from the date of this letter, it may be referred to the Department's Administrative Actions and Appeals office for termination and/or other administrative action under 34 CFR 668.86.

The LOC should be sent by mail/courier to the following address:

**ATTN: <NAME>  
San Francisco Case Team  
Southwest Case Management Division, CMO  
Federal Student Aid  
U.S. Department of Education  
50 United Nations Plaza, Room 266  
San Francisco, CA 94102**

Should you have questions, please contact Case Team Specialist <NAME> of the San Francisco Team at 415-556-4305.

Sincerely,

James S. Castress, Area Case Director  
Southwest Case Management Division  
Case Management & Oversight

Enclosures

cc: Document Receipt and Control Center, Washington DC  
Accreditor  
Guarantee Agency  
State Licensing agency  
Bob James, Liaison to Private Career Schools  
Others, as desired

**Denver Office Sample:**

President

OPE ID:

Dear xx:

The Denver Team of the Case Management Division-Northwest (CMD-NW) has completed its analysis of the **xx** financial statements representing **xx** (the Institution). The review was conducted in association with the Institution's existing Letter of Credit (LOC) on file with the Department for **\$xx** due to expire on **xx**. The Denver Team's review of the Institution's financial statements was done in accordance with Federal Regulation 34 CFR 668.171(b) and disclosed that the Equity, Primary Reserve and Net Income ratios yield a composite score of **2.4**. As a result, **xx** is no longer required to maintain a letter of credit with the Department to demonstrate that it is financially responsible.

The Department's records will be changed to reflect that the letter of credit is no required for the Institution. The fact that the Institution no longer needs to maintain a letter of credit does not alter in any way its ongoing responsibility for observing all relevant Title IV guidelines in a timely manner--it will continue to participate in the Title IV programs with full certification privileges by way of the advance funding method and will be required to submit various documents to the Department as specified in the Department's regulations.

Thank you for your continued cooperation.

If you have any questions regarding this matter you may contact Ms. Kelly at (303) 844-3677 ext. 113.

Sincerely,

Angela Toruella  
Director

Enclosures

cc: Document Receipt and Control Center, Washington, DC  
Mary Jo Lally, Reimbursement Specialist

**9 Financial Statements: Zone Letter****Atlanta Office Sample:**

**UNITED STATES DEPARTMENT OF EDUCATION  
FEDERAL STUDENT AID  
CASE MANAGEMENT & OVERSIGHT  
ATLANTA CASE TEAM  
UNION CENTER PLAZA 3  
830 FIRST STREET, N.E.  
7<sup>TH</sup> FLOOR, ROOM 72A2  
WASHINGTON, DC 20202-5430**



Mr. Morgan Landry  
President  
Capps College  
3590 Pleasant Valley Road  
Mobile, AL 36609

**CERTIFIED  
Return Receipt Requested  
Z 246 456 908**

RE: Financial Responsibility Requirements Under the Zone Alternative

Dear Mr. Landry:

**OPE ID: 02341000**

The Atlanta Case Team, Southeast Case Management Division has completed its review of the December 31, 2002 financial statement representing Capps College (Institution). Based on the review, our team determined the Institution demonstrates a Composite Score of 1.4, which is equal to or greater than 1.0 but less than 1.5 for its latest fiscal year. Consequently, the Institution does not satisfy the standards of financial responsibility specified in 34 CFR 668 (Subpart L—Financial Responsibility).

Capps College may continue to participate in the Title IV, HEA programs as a financially responsible institution under conditions specified in 34 CFR 668.175(d), which is referenced as the "Zone Alternative." A copy of the current financial responsibility regulations is enclosed for your convenience.

As outlined under the Zone Alternative, the Institution is required to (1) make disbursements to eligible students and parents under either the cash monitoring or reimbursement payment method described in Section 668.162 [the intent of this letter is to apply the provisions of 34 CFR 668.162(e)(1)]; and (2) provide timely information regarding certain oversight and financial events.

The Atlanta Case Team is responsible for Capps College's compliance with the financial responsibility requirements under the Zone Alternative. Requiring the Institution to follow the procedures described below is carrying out this responsibility:

- 1 of 3 -



1. For each three-month period beginning July 1, 2003, submit student-specific documentation of all Title IV, Federal Student Aid and disbursements made during the period as prescribed under Cash Monitoring, Type 1. This documentation must be submitted to this office no later than fifteen (15) days after the end of the three-month period, and it must be in spreadsheet format, including as fields the following: Student Name, Social Security Number, Payment Period Start Date, Disbursement Date, Disbursement Amount, and Title IV Program.
2. Within fifteen (15) days of the end of the reporting period, as defined in the previous paragraph, provide to this office date-specific documentation of total Title IV funds received ("drawdowns"), together with a reconciliation of the total funds received compared to the total funds disbursed during the period as prescribed under Cash Monitoring, Type 1.
3. Within ten (10) days of the event, provide written notice to this office regarding any of the oversight and financial events itemized below. Further, the Institution must provide a written action plan that details what steps it has taken, or plans to take, to resolve the identified deficiency(ies).
  - Any adverse action, including probation or similar action, taken against the Institution by its accrediting agency; the State, or any other Federal agency;
  - Any event that causes the Institution to realize any liability that was noted as a contingent liability in the Institution's most recent audited financial statements;
  - Any violation by the Institution of any loan agreement;
  - Any failure to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
  - Any withdrawal of owner's equity from the Institution by any means, including by declaring a dividend; or
  - Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30.
4. The Institution must include in each periodic report a statement signed by its Chief Executive Officer that certifies the following:
  - All data and reports specified above are true and correct;
  - All Title IV refunds, including Federal Family Education and/or Direct Loan refunds, have been calculated as required by Federal regulations and have been returned to the appropriate Title IV account; and
  - All credit balances have been paid, as required by Federal regulations, i.e., disbursed to student(s) or returned to the appropriate Title IV account.





5. Require the auditor, as a part of the Institution's annual Title IV compliance audit, to express an opinion regarding the Institution's compliance with all of the requirements specified above.

The reports/information specified above should be sent by mail/courier to Ms. Toni K. Gaines at the following address:

U.S. Department of Education  
Federal Student Aid  
Case Management & Oversight  
Atlanta Case Team  
Union Center Plaza 3  
830 First Street, N.E.  
Room 72A2  
Washington, D.C. 20002

An institution may remain eligible for the Zone Alternative for a maximum of three continuous years, inclusive of the first year, provided (1) its composite scores for the relevant fiscal years fall within the 1.0 to 1.4 range, and (2) it complies with the requirements specified above. We assume the institution is aware of its responsibility to annually submit Title IV compliance and financial statement audits to the Department's Document Receipt and Control Center (DRCC).

In lieu of meeting the aforementioned requirements, per the Zone Alternative, the Institution may provide an irrevocable letter of credit (LOC) in the amount of **\$127,500** within thirty (30) days of the date of this letter. The amount of the LOC is set at approximately fifty (50) percent of the total volume of Title IV, HEA Federal Student Aid funds received by the institution for its most recent award year for which information is available. Should the Institution choose this option, this office would provide additional instructions regarding the length, working format and transmittal of the LOC. Therefore, the institution is required to provide this office with its decision regarding whether it wishes to participate in the Title IV, HEA Federal Student Aid programs under the zone alternative or by providing a \$127,500 irrevocable letter of credit. The Institution's selection of one of these two options must be provided **in writing** to this office within **fourteen (14) days** of the date of this letter. Failure to submit the Institution's choice of options within this time frame will automatically implement the Zone Alternative.

If you have questions regarding this matter, you may contact Ms. Toni K. Gaines (202) 377-4220. The fax number for this office is (202) 275-5595.

Sincerely,

Angela Torruella  
Director

Enclosure

cc: Data Management and Analysis Division, DRCC  
Toni K. Gaines, Senior Financial Analyst, Atlanta/DC Case Team  
LaTonya Dobbins-Clay, Single Point-of-Contact, Atlanta Case Team  
Accrediting Bureau of Health Education Schools

- 3 of 3 -



Atlanta Zone Example (2 of 2):



UNITED STATES DEPARTMENT OF EDUCATION  
FEDERAL STUDENT AID  
CASE MANAGEMENT & OVERSIGHT  
ATLANTA CASE TEAM  
UNION CENTER PLAZA 3  
830 FIRST STREET, N.E.  
7TH FLOOR, ROOM 72A2  
WASHINGTON, DC 20202-5430

Mr. Morgan Landry  
President  
Capps College  
3590 Pleasant Valley Road  
Mobile, AL 36609

**CERTIFIED**  
**Return Receipt Requested**

RE: Financial Responsibility Requirements Under the Zone Alternative

Dear Mr. Landry:

**OPE ID: 02341000**

The Atlanta Case Team, Southeast Case Management Division has completed its review of the December 31, 2001 financial statement representing Capps College (Institution). Based on the review, our team determined the Institution demonstrates a Composite Score of 1.4, which is equal to or greater than 1.0 but less than 1.5 for its latest fiscal year. Consequently, the Institution does not satisfy the standards of financial responsibility specified in 34 CFR 668 (Subpart L—Financial Responsibility).

Capps College may continue to participate in the Title IV, HEA programs as a financially responsible institution under conditions specified in 34 CFR 668.175(d), which is referenced as the "Zone Alternative." A copy of the current financial responsibility regulations is enclosed for your convenience.

As outlined under the Zone Alternative, the Institution is required to (1) make disbursements to eligible students and parents under either the cash monitoring or reimbursement payment method described in Section 668.162 [the intent of this letter is to apply the provisions of 34 CFR 668.162(e)(1)]; and (2) provide timely information regarding certain oversight and financial events.

The Atlanta Case Team is responsible for Capps College's compliance with the financial responsibility requirements under the Zone Alternative. Requiring the Institution to follow the procedures described below is carrying out this responsibility:



For each three-month period beginning September 1, 2002, submit student-specific documentation of all Title IV, Federal Student Aid and disbursements made during the period as prescribed under Cash Monitoring, Type 1. This documentation must be submitted to this office no later than fifteen (15) days after the end of the three-month period, and it must be in spreadsheet format, including as fields the following: Student Name, Social Security Number, Payment Period Start Date, Disbursement Date, Disbursement Amount, and Title IV Program.

Within fifteen (15) days of the end of the reporting period, as defined in the previous paragraph, provide to this office date-specific documentation of total Title IV funds received ("drawdowns"), together with a reconciliation of the total funds received compared to the total funds disbursed during the period as prescribed under Cash Monitoring, Type 1.

Within ten (10) days of the event, provide written notice to this office regarding any of the oversight and financial events itemized below. Further, the Institution must provide a written action plan that details what steps it has taken, or plans to take, to resolve the identified deficiency(ies).

Any adverse action, including probation or similar action, taken against the Institution by its accrediting agency; the State, or any other Federal agency;

Any event that causes the Institution to realize any liability that was noted as a contingent liability in the Institution's most recent audited financial statements;

Any violation by the Institution of any loan agreement;

Any failure to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;

Any withdrawal of owner's equity from the Institution by any means, including by declaring a dividend; or

Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30.

The Institution must include in each periodic report a statement signed by its Chief Executive Officer that certifies the following:

All data and reports specified above are true and correct;

All Title IV refunds, including Federal Family Education and/or Direct Loan refunds, have been calculated as required by Federal regulations and have been returned to the appropriate Title IV account; and  
All credit balances have been paid, as required by Federal regulations, i.e., disbursed to student(s) or returned to the appropriate Title IV account.

Require the auditor, as a part of the Institution's annual Title IV compliance audit, to express an opinion regarding the Institution's compliance with all of the requirements specified above.



The reports/information specified above should be sent by mail/courier to Ms. Toni K. Gaines at the following address:

***if by mail:***

U.S. Department of Education  
Federal Student Aid  
Case Management & Oversight  
Atlanta Case Team  
Union Center Plaza 3  
830 First Street, N.E.  
7<sup>th</sup> Floor, Room 72A2  
Washington, D.C. 20202-5430

***if by overnight mail/courier delivery:***

U.S. Department of Education  
Federal Student Aid  
Case Management & Oversight  
Atlanta Case Team  
Union Center Plaza 3  
830 First Street, N.E.  
7<sup>th</sup> Floor, Room 72A2  
Washington, D.C. 20002

An institution may remain eligible for the Zone Alternative for a maximum of three continuous years, inclusive of the first year, provided (1) its composite scores for the relevant fiscal years fall within the 1.0 to 1.4 range, and (2) it complies with the requirements specified above. We assume the institution is aware of its responsibility to annually submit Title IV compliance and financial statement audits to the Department's Document Receipt and Control Center (DRCC).

If you have questions regarding this matter, you may contact Ms. Toni K. Gaines (202) 377-4220.

Sincerely,

Angela Torruella  
Director

Enclosure

cc: Data Management and Analysis Division, DRCC  
Toni K. Gaines, Senior Financial Analyst, Atlanta/DC Case Team  
LaTonya Dobbins-Clay, Single Point-of-Contact, Atlanta Case Team  
Accrediting Bureau of Health Education Schools

**San Francisco Sample Letter:**

John Tran, Owner  
My Le's Beauty College  
5972 Stockton Boulevard  
Sacramento, CA 95824  
VIA FACSIMILE @ 916-422-1289 &

FIRST CLASS-CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

RE: Financial Responsibility Requirements  
Under the Zone Alternative  
OPE# 03458300

Dear Mr. Tran:

The San Francisco Case Team ("Team"), Southwest Case Management Division, Case Management & Oversight, has completed its review of the December 31, 2001 financial statements representing My Le's Beauty College.

Based on the review, our Team determined that the Institution demonstrated a Composite Score of 1.1 [on a scale of -1.0 to 3.0] for its latest fiscal year. Consequently, the Institution does not satisfy the standards of financial responsibility specified in Title 34, Code of Federal Regulation, Section 668.171 (Subpart L—Financial Responsibility).

My Le's Beauty College may continue to participate in the Title IV, HEA programs as a financially responsible Institution under conditions specified in 34 CFR 668.175 (d), which is referenced as the "Zone Alternative." A copy of the current financial responsibility regulations is enclosed for your convenience.

As outlined under the Zone Alternative, the Institution must comply with the requirements of either the Reimbursement or the Cash Monitoring payment method as specified in the regulations, 34 CFR 668.162, together with certain financial reporting requirements. [The intent of this letter is to apply the Cash Monitoring, Type 1 payment method]. These requirements are as follows:

Cash monitoring, Type 1 requirements.

The Institution must comply with the requirement, specified in 34 CFR 668.162 (e), that its requests for Title IV funds from the Department must be made after the time and in an amount no more than the previous disbursement to students and parents.

Within ten (10) days of the event, provide written notice to this office regarding any of the oversight and financial events itemized below. Further, the Institution must provide a written action plan that details what steps it has taken, or plans to take, to resolve the identified deficiency (ies).

Any adverse action, including probation or similar action, taken against the Institution by its accrediting agency; the State of California, or any other Federal agency;

Any event that causes the Institution to realize any liability that was noted as a contingent liability in the Institution's most recent audited financial statements;

Any violation by the Institution of any loan agreement;

Any failure of the Institution to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;

Any filing of a petition by the Institution for relief in bankruptcy court;



Any withdrawal of owner's equity/net assets from the Institution by any means, including by declaring a dividend; or  
Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30.

Provide a written business plan to this office within 30 days of the date of this letter. This plan must specify financial goals and the projected dates when these goals will be achieved. Further, it must specify how the goals will be achieved. The financial goals must be expressed as targeted changes in total revenue, total expenses, retained earnings and paid-in capital. We suggest that the Institution develop a detailed quarterly budget corresponding to the items in its income statement.

Provide, within 30 days of the end of each reporting period, quarterly reports to this office starting with the quarter ending December 31, 2002. Each report must include:

An explanation of the Institution's degree of success or failure in moving towards the goals specified in its business plan.

Comparative unaudited balance sheets and income statements. The suggested format for these is provided in an appendix to this letter.

The reports/information pertaining to items 2, 3, and 4 above should be sent by mail/courier to:

ATTN: Oliver Guinn  
San Francisco Case Team  
Southwest Case Management Division/CMO  
Federal Student Assistance  
U.S. Department of Education  
50 United Nations Plaza, Room 266  
San Francisco, CA 94102

Require the auditor, as a part of the Institution's annual Title IV compliance attestation audit, to express an opinion regarding the Institution's compliance with all of the requirements specified above.

An Institution may remain eligible for the Zone Alternative for a maximum of three continuous years, inclusive of the first year, provided (1) its composite scores for the relevant fiscal years fall within the 1.0 to 1.4 range, and (2) it complies with the requirements specified above. In order to expedite the Team's determination of the Institution's continued eligibility for the Zone Alternative, the Institution must submit its financial statements audit for each fiscal year, beginning with the fiscal year ending December 31, 2002, to the attention of Oliver Guinn at the address provided above. These statements must be provided no later than 120 days from the end of the fiscal year, and they must be prepared in accordance with the regulations, 34 CFR 668.23. However, please note that submission of financial information to this office does not relieve the Institution of its responsibility to submit both financial statement and compliance audits to the Department in accordance with instructions in the most recent Federal Student Financial Aid Handbook or alternative instructions provided by the Department.

In lieu of meeting the aforementioned requirements, per the *Zone Alternative*, the Institution may provide an irrevocable letter of credit ("LOC") in the amount of \$380,000 within thirty (30) days of the date of this letter. The amount of the surety is set at approximately fifty (50) percent of the total volume of Title IV student financial assistance funds received by the Institution during its most recent fiscal year. The amount of this letter of credit is in conformance with the regulations, 34 CFR Section 668.175(c). Should the Institution choose this option, this office would provide additional instructions regarding the length, wording, format and transmittal of the (LOC). Therefore, the Institution is required to provide written notice to this office regarding whether it wishes to participate in the Title IV, HEA student financial assistance programs under the *Zone Alternative* or by providing the LOC. This notice must be provided within fourteen (14) days of the date of this letter. Failure to submit the Institution's choice of options within this time frame will automatically implement the *Zone Alternative*.

If you have questions regarding this matter, you may contact Institutional Review



Specialist Oliver Guinn of the San Francisco Team at 415-556-4305.

Sincerely,

James S. Castress, Area Case Director  
Southwest Case Management Division  
Case Management and Oversight

Enclosure

cc: Geneva Coombs, Acting Director, Southwest Case Management Division  
Laura Harcum, Co-Team Leader  
Martina Fernandez-Rosario, Acting Co-Team Leader  
Maryann Hollins, Subteam Leader  
David Hinojosa, Reimbursement Analyst  
Oliver Guinn, IRS/FA  
National Accrediting Commission of Cosmetology Arts and Sciences  
EDFUND  
BPPVE



## APPENDIX

*Suggested headings for presentation of detailed Balance Sheet information:*

| Current quarter end date<br>(unaudited) | Prior fiscal year end date<br>(audited) |
|---|---|
|---|---|

*Suggested headings for presentation of detailed income statement information:*

| Current Quarter<br>Actual | Current Quarter<br>Budget | Year to<br>Date<br>Actual | Year to Date<br>Budget | Prior Fiscal<br>Year<br>(audited) |
|---------------------------|---------------------------|---------------------------|------------------------|-----------------------------------|
|---------------------------|---------------------------|---------------------------|------------------------|-----------------------------------|





## 10 Financial Statements: Denial Letter

### Denver Office Sample:

President

Certified Return Receipt

OPE ID:

Dear xx:

To enable to the Department to make a determination of financial responsibility, an institution must submit to the Department a set of financial statements for its latest fiscal year. Financial statements submitted to the Department must be prepared on the full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), and audited by an independent auditor in accordance with Generally Accepted Government Auditing Standards (GAGAS), and other applicable guidance. 34 CFR 668.23.

The financial statements submitted for your institution for fiscal year ending **xx** are not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Specifically, our review of the institution's statements revealed the following items of concern. {INSERT REVENUE RECOGNITION POLICY}

This valuation method assumes that the institution recognizes the entire tuition at the point when the student signs the contract and incurs no liabilities via services to the student beyond the point of the student signing the contract. This method artificially accelerates the recognition of tuition income; therefore causing the unearned tuition liability to be understated. The purpose of unearned income is to measure the value of services the institution is contractually obligated to perform.

Reference to this issue can be found in FASB Statement of Accounting Concepts No. 5, Paragraph 83 a and b states the following with regards to Revenues and Gains:

- a. *Realized or Realizable*. Revenues and gains generally are not recognized until realized or realizable. Revenues and gains are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash. Revenues and gains are realizable when related assets received or held are readily convertible to known amounts of cash or claims to cash.
- b. *Earned*. Revenues are not recognized until earned. An entity's revenue-earning activities involve delivering or producing goods, rendering services, or other activities that constitute its ongoing major or central operations, and revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues.

- 1 of 2 -



Accordingly, an educational institution has not earned the entire amount of an advance payment by a student until the student completes the entire course of study or withdraws (i.e. having completed a percentage of the course for which the student is not entitled to a refund upon withdrawal).

The reason that revenue is not completely counted at the date the student signs the enrollment contract is because the institution will still incur costs to provide the services for which the revenue was paid. It is an acknowledgement that the institution continues to incur costs while it provides the services for which it has been paid. So long as services are to be provided, the revenue to pay for those services must be matched against costs incurred for that period.

Consequently, the Department is rejecting the financial statement is currently possesses for fiscal year ending **xx**. To rectify this situation **xx** must submit revised statements for fiscal year ending **xx** that have been properly prepared on the accrual basis of accounting. These statements must be independently audited, and the auditor must explicitly state in the notes to the financial statements that they have been prepared on the accrual basis of accounting. Further, a statement concerning the institution's revenue recognition policy must be included in the notes.

The revised statements must be received in this office within 30 days of receipt of this letter. For the purposes of meeting this deadline, facsimile copies will be accepted provided it is followed immediately with a hard copy mailed to the address on this letterhead. Our fax number is (303) 844-4695.

If you have any questions regarding this matter, I can be reached at (303) 844-3677 ext. 113.

Sincerely,

Maureen K. Kelly  
Financial Analyst  
Denver Case Management Team

mk

Cc: Document Receipt and Control Center, Washington, DC

- 2 of 2 -

**11 Financial Statement: Missing Statement****Denver Office Sample:**

xx

Owner

Certified Return Receipt

xx

xx

xx

OPE ID: xx

xx:

To enable the Department to make a determination of financial responsibility, an institution must submit to the Department financial statements for its latest fiscal year (34 CFR 668.23). Financial statements submitted to the Department must be prepared on an accrual basis in accordance with Generally Accepted Accounting Principals (GAAP), and audited by an Independent Auditor in accordance with Generally Accepted Government Auditing Standards (GAGAS), and other applicable guidance.

As of the date of this letter, the Department has not received its annual audited financial statements for fiscal year ending **xx** for your institution. As a result, **xx** is not considered to be financially responsible. A copy of the current financial responsibility regulations is enclosed for your convenience.

Currently, the Institution maintains a Letter of Credit (LOC) on file with the Department for \$**xx** due to expire on. In view of the Institution's failure to meet the current standards of financial responsibility, and based on the estimated total amount of Title IV student financial aid funds utilized by the Institution, **xx** must renew the existing Letter of Credit on file with the Department in the amount of \$**xx** prior to the expiration date of **xx**.

The irrevocable letter of credit, payable to the Secretary, U.S. Department of Education (Secretary), assures the Secretary that in the event that the Institution would close or terminate classes at other than the end of an academic period, funds would be available from which to make refunds, provide teach out facilities or meet other institutional obligations to the Department. A sample copy of an irrevocable letter of credit is enclosed. Please have your lending institution follow the sample wording without deviation. Please note that if the Institution fails to provide the irrevocable letter of credit or acceptable evidence that it meets one of the exceptions to the general standards of financial responsibility prior to **xx**, the Institution can be referred to the Department's Administrative Actions and Appeals Division for termination and/or other administrative action under 34 CFR 668.86.

- 1 of 2 -



Please mail the irrevocable letter of credit to the following address:

If by regular mail:

U.S. Department of Education - CMOS  
CMD - NW / Denver Team  
830 First Street, N.E.  
Washington, DC 20202-5340  
Attention: Anthony Gargano

If by overnight mail/courier delivery:

U.S. Department of Education-CMOS  
CMD - NW / Denver Team  
830 First Street, N.E., 7<sup>th</sup> Floor (73D2)  
Washington, DC 20002  
Attention: Anthony Gargano

Please fax a copy of the renewal notice to my attention at (303) 844-4695. If you have any questions regarding the LOC renewal I may be reached at (303) 844-3677 ext. 113.

Sincerely,

Angie Torruella  
Director

Enclosures

cc: Document Receipt and Control Center, Washington, DC

- 2 of 2 -



## 12 Reimbursement: Approval Letter

### Atlanta Office Sample:

November 4, 2002

Dr. Charles Taylor  
President  
Morris Brown College  
643 Martin Luther King Jr. Drive  
Atlanta, GA 30314

Dear Dr. Taylor:

Thank you for your Title III reimbursement request submitted October 25, 2002 totaling \$125,253.12. The entire amount has been approved for payment. The anticipated deposit date is October 30, 2002.

Approval of this reimbursement request shall in no way limit the Department of Education's right to later determine that these funds were improperly expended and recover these funds from the institution as the result of an audit or program review or any other manner.

Please do not hesitate to call me at (404) 562-6303 with any questions.

Sincerely,

Patricia McAlister  
Reimbursement Analyst, Region IV



## San Francisco Sample Letter:

Samuel Romano, President  
Associated Technical College  
1445 Sixth Avenue  
San Diego, CA 92101

DUNS # 616942678

**OPE # 02553500**

Dear Mr. Romano:

This is to inform you that the San Francisco Case Team has completed processing your April 28, 2003 Federal Title IV reimbursement package received in our office. The funds were released on May 27, 2003.

Based on our review, the Federal Title IV program amounts released at this time, represent the following, based on *available balances* in the applicable award documents:

| <u>Program</u>          | <u>Requested</u> | <u>Released</u> |
|-------------------------|------------------|-----------------|
| <b>02/03 FWS</b>        | \$ 338.91        | \$ 338.91       |
| <b>02/03 Pell Grant</b> | \$ 50,450.00*    | \$ 44,450.00*   |
| <i>Total Requested</i>  | \$               |                 |
| <i>Total Released</i>   |                  | \$ 44,788.91    |

**\*Please Note:** This amount reflects disbursements minus refunds made in COD, requested by the institution, or student names not actually listed on the institution's roster.

In addition, the Case Team's determination(s) also applies as well to the release and disbursement of any *Federal cash-on-hand* the institution may have reported as part of its total reimbursement on its current *Form(s) 270*. Release of such *cash-on-hand* must always be approved by the Case Team as part of the reimbursement process.

However, please note that any **2002/2003 Pell Grant cash-on-hand** (i.e., *refunds*) the institution may have, must be processed through *RFMS* and not reported on the *Form 270*. If you have any questions, please call the Pell Grant Hotline at 1-800-474-7268.

In the event that the institution was underpaid based on a shortage of award document **available balance**, it may file a supplemental request, once it has verified that sufficient available balance now exists. Of course, the institution must create the prerequisite acceptable disbursement record(s) in the COD system prior to any release of Pell Grant funds.

Finally, it is the responsibility of the institution to reconcile funds it receives through the Department's electronic COD and GAPS systems with the amounts actually claimed and thus released through the reimbursement system of funding.

**Approval of the reimbursement/authorization request was conditional.** This in no way limits the U.S. Department of Education's right to later determine that these funds were improperly expended and recover these funds from the institution or require purchase of FFEL loans from lenders, as the result of an audit or program review or in any other manner.



If you have any questions, please contact Lisa J. Huynh, Alan Toms or me directly at (415) 556-4295. We will be happy to assist you.

Sincerely,

David Noel Hinojosa  
Reimbursement Analyst  
San Francisco Case Team  
Case Management and Oversight  
Student Financial Assistance

DNH: (ATC.SD.06.05.03)

**13 Reimbursement: Denial Letter****Atlanta Office Sample:**

September 11, 2002

Mr. Reginald Lindsey  
Interim President  
Morris Brown College  
643 Martin Luther King Jr. Drive  
Atlanta, GA 30314

Dear Mr. Lindsey:

Thank you for your Title IV reimbursement request submitted September 10, 2002 totaling \$278,158.50. We have reviewed 22 out of the 54 files submitted and have found an error rate of 100% in this sample. Since all 22 files (41%) contain significant errors we must reject the entire submission. The reasons for our decision are listed below.

The institution failed to submit an SF 270 Form for the Pell Grant funds requested. It appears that the institution included these funds on the SF 270 for Campus Based funding. Pell Grant funds are not considered to be Campus Based funds. Please provide a separate SF 270 Form for each Title IV Program.

The institution failed to include the DUNS# on the SF 270 Forms. The DUNS# should be listed in box #5.

The institution is requesting \$1,500 in Perkins funding. Due to the high default rate at the school, no Federal contribution can be paid.

The institution failed to include the Chief Executive Officer Certification Form, which was provided to Ms. Connie King on August 1, 2002. An additional copy is attached for your convenience.

The SF 270 Forms were all signed by Barbara Williams as the certifying official. In order for Ms. Williams to be considered an appropriate certifying official she must be added to the institution's ECAR as a third-party servicer/consultant and the school must provide written notification that she is a representative of Morris Brown College.

-1 of 3-





The institution sent original documents, such as loan applications and promissory notes with this submission. The original documents must be maintained at the institution and photocopies should be provided to the Dept. for reimbursement purposes unless otherwise requested. We are returning your original documents.

The Subsidized and Unsubsidized listed on the SF 270 Form provided shows a total request of \$118,360 while the attached payment roster loans total \$118,359.

The students included in the institution's reimbursement submission are all first-time students and cannot receive loan funds until the 30-day delayed disbursement requirements are met.

Please provide clarification regarding the institution's acceptance code P (provisional). If these students are provisionally accepted are they considered to be enrolled in a regular course of study? Please clarify.

Please include a listing of all courses in which the students are enrolled with future requests.

Please provide a copy of the institution's policies and procedures for awarding SEOG funds.

Please provide a copy of the institution's Verification Process.

Please provide a copy of the institution's Satisfactory Academic Progress (SAP) policy.

Please provide a copy of the institution's award packaging philosophy.



The following is a detailed listing of the student files reviewed in our sample and the reasons for denial of payment.

Austin, Shelli      SSN REMOVED      Delayed delivery of loan funds must be applied to this student. All aid requested is not posted on the student's account ledger card.

Barnes, Karen      SSN REMOVED      Delayed delivery of loan funds must be applied to this student. All aid requested is not posted on the student's account ledger card. Sub loan requested but was not accepted by the student according to the award letter screen. Incomplete verification: household size is 3 in household with 1 in college on the verification worksheet but the SAR shows 4 in household and 2 in college. Total tax paid is \$0 on the attached tax form but the SAR shows total tax of \$193. Total from Worksheet B is listed as \$0 on the SAR but is listed as \$3,888 on the verification worksheet.

Britton, Brandon      SSN REMOVED      Delayed delivery of loan funds must be applied to this student. All aid requested is not posted on the student's account ledger card. The student's award packaging is unclear and the Black College Common Application shows an admissions code D for Denied.

Briggs, Pamela      SSN REMOVED      Delayed delivery of loan funds must be applied to this student. All aid requested is not posted on the student's account ledger card. Incorrect Pell award. Student has an EFC of 1877 and is at full-time status. The correct Pell award amount is \$2,150 for the award year. Therefore, the student should not be awarded more than \$1,075 in Pell for the Fall semester. It appears the school has awarded this student a Band Scholarship, which has not been accurately included on the award screen. The award detail screen shows the student accepted \$500 MBDS (band scholarship) but the account details screen shows a posting of \$1,500 in band scholarship funds. Based on the disbursement of \$1,500 for one semester it is assumed that the annual award amount is \$3,000. Please clarify the aid awarded.

....Portions removed...

Please do not hesitate to call me at (404) 562-6303 with any questions regarding this reimbursement request.

Sincerely,

Patricia McAlister  
Reimbursement Analyst, Region IV

cc: Ms. Connie King, Financial Aid Director

**San Francisco Office Sample:**

Samuel Romano, President  
Associated Technical College  
1445 Sixth Avenue  
San Diego, CA 92101

FIRST CLASS CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

DUNS # 616942678  
OPE ID # 02553500

Dear Mr. Romano:

This is to inform you that the San Francisco Case Team has completed processing your Federal Title IV reimbursement package received in our office on April 23, 2001.

Our review of these materials revealed that the total reimbursement requested is not fully supportable.

The Federal Title IV program amounts released on May 16, 2001, represent the following:

| Program         | Requested    | Released     |
|-----------------|--------------|--------------|
| 00/01 FWS       | \$ 1,414.88  | \$ 1,414.88  |
| 00/01 Pell      | \$ 47,550.00 | \$ 36,225.00 |
| Total Requested | \$ 48,964.88 |              |
| Total Released  |              | \$ 37,639.88 |

Moreover, as the institution is aware, the Case Team's determination(s) also invariably applies to the release and disbursement of any Federal cash-on-hand the institution may have reported as part of its total reimbursement on its current Form(s) 270.

The Case Team must always approve the release of such cash-on-hand, as part of the reimbursement process.

However, please note that any 99/00 and 00/01 Pell Grant cash-on-hand (i.e., refunds) the institution may have, must be processed through RFMS and not reported on the Form 270. If you have any questions, please call the Pell Grant Hotline at 1-800-474-7268.

At the same time, the institution should keep in mind the following whenever it is requesting 0/01 Pell payments based on the Special Disbursement Records Batch(s) it has created in the RFMS system prior to its request.

The amount accepted by RFMS, on a student-by-student basis, does not always necessarily reconcile with the amount reported by the institution for that student. Consequently, the total dollar value/accepted amount of an applicable Special Disbursement Record(s) Batch may not necessarily reconcile with the institution's total amount reported for that particular Batch.

- 1 of 3-



For further information regarding this reconciliation, between the the institution's reported Pell amounts and the accepted RFMS amounts for a given Special Disbursement Records Batch in the RFMS system, the school should contact:

Ms. Celeste Johnson,  
Customer Representative for Reimbursement Schools  
@ 1-800-4-PGRANTS or 1-800-474-7268 or (301) 921-7124

Information is also available through the following:

Web Sites: <http://www.pellgrantsonline.ed.gov>  
<http://ifap.ed.gov>  
<http://easi.ed.gov>

E-mail address: [#pell\\_systems@ed.gov](mailto:#pell_systems@ed.gov)

To facilitate processing, the institution's Pell request and roster should list only those students for whom it has successfully exported Special Disbursement Records to RFMS, and for whom it has a Special Disbursement Records Batch number (beginning with #S). All the students in a given batch should be listed on a separate page of the roster, with the reported RFMS amount totaled by Batch. The institution should not request Pell reimbursement for students for whom it does not have a Special Disbursement Records Batch number (#S).

The institution should also closely reconcile student names (and the spelling of those names) and their respective Social Security Numbers, as they appear on both the institution's roster and the actual Special Disbursement Records Batch in RFMS. Without such reconciliation and exactitude between the records, the funds will not be released.

Also, as the institution is aware, the Case Team's determination(s) also invariably applies to the release and disbursement of any Federal cash-on-hand the institution may have reported as part of its total reimbursement on its current Form(s) 270. Release of this cash-on-hand must always be approved by the Case Team as part of the reimbursement process.

Concerning the current reimbursement, the Case Team reviewed the student files submitted, and subsequently disallowed a portion of the total funds requested. The Case Team's disallowance was based on the exceptions evident in the records for the students listed below.

RAFAEL MORENO (SSN: REMOVED) 00/01 Pell \$1,650

DAVID WARD (SSN REMOVED) 00/01 Pell \$1,650

GARRY D. TAYLOR (SSN REMOVED) 00/01 Pell \$1,425

LUIS RUIZ (SSN REMOVED) 00/01 Pell \$1,650

The Attachment to this letter explains in detail the basis for the Case Team's disallowance of the institution's request for these students. Please note that the total 00/01 Pell funds released reflect both those files rejected by the Case Team and those Special Disbursement Records which were rejected by the RFMS system.



### General Observations

It was also noted that data on forms had been revised or altered, and that the corrections had not been initialed or dated. For instance, institutional documents, when altered, should be initialed and dated by the revising official. Likewise, documents filled-in and certified by the student, should also be initialed and dated, whenever a revision in data has been entered on the form.

Upon resolution of the concerns noted, the institution may resubmit the disallowed portion of its reimbursement request. In resubmitting, the institution must clearly indicate that these files are 'corrected second requests' and include a copy of this correspondence. The institution may include these files in its next regularly scheduled reimbursement request, but must segregate them, as indicated. These files should also be identified by an asterisk (\*) on the spreadsheet/listing accompanying the reimbursement package.

Approval of the funds released was conditional based on the certification of your Financial Aid Expert designee, Ms. Mercedes Bombino, an employee of the institution, which accompanied the institution's current reimbursement request. This in no way limits the U.S. Department of Education's right to later determine that these funds were improperly expended and recover these funds from the institution or, if applicable, require purchase of FFEL loans from lenders, as the result of an audit or program review or in any other manner.

If you should have any questions, please contact Lisa Joy Huynh or me. We may be reached at (415) 556-4275, and will be happy to assist you.

Sincerely,

David Noel Hinojosa  
Reimbursement Analyst

San Francisco Case Team

Case Management & Oversight  
Student Financial Assistance

Attachment

DNH: (ATC.SD.ptl.05.16.01)

-3 of 3-



#### 14 Reimbursement: Return to Advance of Funding Letter

##### Atlanta Office Sample:

September 7, 1999

P. Daniel Stetler  
President  
Hobe Sound Bible College  
P.O. Box 1065  
Hobe Sound, FL 33475-1065

Dear Mr. Stetler:

This is to inform you that the Atlanta Case Team has reviewed your institution's reimbursement status and has decided to remove Hobe Sound Bible College from the cash monitoring system of payment. The institution has been returned to the advance system of payment. This reinstates your institution's authority to draw funds, effective immediately. If you have any questions regarding this action, please contact me at (404) 562-6303.

Sincerely,

Patricia L. McAlister  
Reimbursement Analyst, Region IV

cc: Phillip L. Gray, Director of Financial Aid

**San Francisco Office Sample:**

Ms. Madalena L. Luong, President  
Nationwide Beauty College  
252 East Second Street  
Pomona, CA 91766-1851

**FIRST CLASS CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

**DUNS # 184174365  
OPE # 03024500**

**Re: Return to Advance System of Funding**

Dear Ms. Luong:

This letter serves as written confirmation that on June 5, 2000, the San Francisco Case Team removed **Nationwide Beauty College** from the reimbursement system of payment and returned it to the advance system of payment.

Please note that although the Case Team has removed the school from reimbursement, the institution must routinely and consistently monitor its Title IV participatory compliance

as directed by Federal regulations. Future instances of non-compliance, as identified in any non-Federal SFA audit, institutional financial statements, or program review, may result in the Case Team's revising the school's Title IV funding status or referring the institution to the Administrative Actions and Appeals Division (AAAD) for consideration of further administrative action.

**Nationwide Beauty College** may draw down Title IV funds directly through our **Education Central Automated Processing System** (EDCAPS), **Grants Administration and Payment Systems** (GAPS). These funds may be drawn without submitting reimbursement packages to the Case Team.

As a Federal Pell Program participant being returned to the advance system of funding, for the *1999/2000 Award Year*, the institution will have to submit to RFMS both *origination* and *"special disbursement"* (rather than "regular" disbursement) records. This in turn will create a *99/00 Pell authorization amount* in GAPS. The institution will then drawdown its *99/00 Pell* funding directly in GAPS. Please note that the actual release of 99/00 Pell funds through the RFMS system was a procedure which was **previously** handled by the Reimbursement Analyst.

For more detailed information regarding this RFMS procedure, the institution is referred to **P-98-4/Action Letter #2** (September 1998), or the following:

Ms. Celeste Johnson,  
Customer Representative for *Special Disbursement* Schools  
@ **1-800-4-PGRANTS** or **1-800-474-7268** or (301) 921-7124



Information is also available through the following:

**Web Sites:** <http://www.pellgrantsonline.ed.gov>  
<http://ifap.ed.gov>  
<http://easi.ed.gov>

**E-mail address:** [#pell\\_systems@ed.gov](mailto:#pell_systems@ed.gov)

If you have any questions, please contact Lisa J. Huynh or David Noel Hinojosa, Reimbursement Analysts, for the San Francisco Case Team. They may be reached at (415) 556-4295.

Sincerely,

James S. Castress  
Area Case Director  
San Francisco Case Team  
Case Management and Oversight  
Student Financial Assistance

cc: Nan Shepard, AAA Liaison to the S.F. Case Team

**DNH: (Nationwide.RttoADV.0607.2000)**

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